



**DRAKENSTEIN**

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

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# AUDITED ANNUAL FINANCIAL STATEMENTS

**For the year ended 30 June 2019**



AUDITOR-GENERAL  
SOUTH AFRICA

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K.A 30 November 2019

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## **TABLE OF CONTENTS**

<b>NR</b>	<b>CONTENT</b>	<b>PAGE</b>
1.	GENERAL INFORMATION	3 - 5
2.	APPROVAL OF FINANCIAL STATEMENTS	6
3.	STATEMENT OF FINANCIAL POSITION	7
4.	STATEMENT OF FINANCIAL PERFORMANCE	8
5.	CASH FLOW STATEMENT	9
6.	STATEMENT OF CHANGES IN NET ASSETS	10
7.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	11 - 13
8.	ACCOUNTING POLICIES	14 - 53
9.	NOTES APPLYING TO ANNUAL FINANCIAL STATEMENTS	54 - 120
10.	APPENDICES	
A)	SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018	121
B1)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)	122
B2)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)	123
B3)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)	124
B4)	RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING	125 - 126
B5)	RECONCILIATION OF BUDGETED CASH FLOW	127
C)	DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003	128



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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE**

<b><u>COUNCILLOR</u></b>	<b><u>PORTFOLIO</u></b>
<b>CJ POOLE</b>	EXECUTIVE MAYOR AND CHAIRPERSON OF MAYORAL COMMITTEE
<b>GC COMBRINK</b>	DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF FINANCE PORTFOLIO COMMITTEE, CHAIRPERSON FINANCE COMMITTEE
<b>MA ANDREAS</b>	MAYORAL COMMITTEE MEMBER OF RURAL DEVELOPMENT
<b>E GOUWS</b>	MAYORAL COMMITTEE MEMBER OF SOCIAL SERVICES
<b>L WILLEMSE</b>	MAYORAL COMMITTEE MEMBER OF HUMAN SETTLEMENTS AND PROPERTY DEVELOPMENT
<b>C KEARNS</b>	MAYORAL COMMITTEE MEMBER OF ENVIRONMENT AND OPEN SPACES
<b>LP MAKOENA</b>	MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES
<b>R SMUTS</b>	MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY
<b>RH VAN NIEUWENHUIZEN</b>	MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS
<b>JF LE ROUX</b>	MAYORAL COMMITTEE MEMBER OF ENGINEERING SERVICES
<b>J MILLER</b>	MAYORAL COMMITTEE MEMBER OF PLANNING & ECONOMIC DEVELOPMENT AND TOURISM
<b>LT VAN NIEKERK</b>	MAYORAL COMMITTEE MEMBER OF RECREATION, ARTS AND CULTURE



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## **COUNCIL MEMBERS**

NR	SURNAME	INITIALS	NR	SURNAME	INITIALS
1	ABRAHAMS	AW	34	MATTHEE	HJN
2	ADRIAANSE	MM	35	MATTHEE	J
3	AFRIKA	AF	36	MBENENE	NP
4	ANDERSON	JV	37	MDUNUSIE	MN
5	ANDREAS	MA	38	MEYER	WPD
6	ARNOLDS	RB	39	MILLER	J
7	BEKEER	A	40	MKABILE	ND
8	BESTER	TG	41	MOKOENA	LP
9	BLANCKENBERG	DS	42	MPULANYANA	TR
10	BOOYSEN	VC	43	NIEHAUS	LW
11	BUCKLE	AML	44	NOBULA	MD
12	COMBRINK	GC	45	NQORO	TZ
13	CUPIDO	FP	46	NZELE	LV
14	CUPIDO	PBA	47	POOLE	CJ
15	DE GOEDE	HR	48	RENS	SC
16	DE WET	J	49	RICHARDS	AM
17	DUBA	BP	50	ROSS	S
18	FORD	GH	51	SAMBOKWE	LS
19	GEORGE	NN	52	SAUERMAN	ND
20	GOUWS	E	53	SEPTEMBER	SE
21	JACOBS	F	54	SMIT	J
22	JONAS	SX	55	SMIT	WE
23	KEARNS	C	56	SMUTS	R
24	KLAAS	MT	57	SOLOMONS	EA
25	KOEGELENERG	RA	58	STOWMAN	AC
26	KOTZE	HJ	59	VAN NIEKERK	LT
27	KROUTZ	C	60	VAN NIEUWENHUYZEN	RH
28	LANDU	L	61	VAN SATEN	AJ
29	LE HOE	MJ	62	VIKA	M
30	LE ROUX	JF	63	WILLEMSE	L
31	LUGQOLA	A	64	WINDVOGEL	E
32	MANGENA	TC	65	ZIKHALI	N
33	MASOKA	ZL			

I certify that the remuneration, allowances and benefits of the above Councillors as disclosed in note 32 of the Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

  
**DR JH LEISBRANDT**  
**ACCOUNTING OFFICER**

  
**AUDITOR-GENERAL**  
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## **MEMBERS OF THE AUDIT COMMITTEE**

MS K MONTGOMERY	CHAIRPERSON
MR R NAJJAAR	MEMBER
MR R NICHOLLS	MEMBER
MR C WHITTLE	MEMBER

## **OTHER INFORMATION**

AUDITORS	THE AUDITOR-GENERAL OF SOUTH AFRICA
BANKERS	FIRST NATIONAL BANK
DEMARICATION CODE	WC023
REGISTERED HEAD OFFICE	DRAKENSTEIN MUNICIPALITY CIVIC CENTRE, PAARL
PHYSICAL ADDRESS	BERG RIVER BOULEVARD PAARL 7646
POSTAL ADDRESS	P O BOX 1 PAARL 7622
TELEPHONE	(021) 807 - 4500
FAX	(021) 872 - 8054
CITY MANAGER	DR JH LEIBBRANDT
CHIEF FINANCIAL OFFICER	MR J CARSTENS
EXECUTIVE MAYOR	COUNCILLOR CJ POOLE
EXECUTIVE DEPUTY MAYOR	COUNCILLOR GC COMBRINK
SPEAKER	COUNCILLOR AC STOWMAN

## **EXECUTIVE MANAGEMENT**

POSITION	NAME
CITY MANAGER	DR JH LEIBBRANDT
CHIEF FINANCIAL OFFICER	MR J CARSTENS
EXECUTIVE DIRECTOR: CORPORATE SERVICES	MR S JOHAAR
EXECUTIVE DIRECTOR: PLANNING & DEVELOPMENT	MS L WARING
EXECUTIVE DIRECTOR: ENGINEERING SERVICES	MR C GELDENHUYS / C LOTZ
EXECUTIVE DIRECTOR: COMMUNITY SERVICES	MR G ESAU

## **APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 120, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

  
**DR JH LEIBBRANDT**  
**ACCOUNTING OFFICER**

31 August 2019



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**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2019**

	Note	2019 R	2018 RESTATE R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>6,123,366,467</b>	<b>5,745,867,616</b>
Property, Plant and Equipment	11	6,037,650,656	5,653,641,447
Heritage assets	14	41,223,700	41,223,700
Intangible assets	12	5,792,294	5,227,677
Investment property	13	37,740,000	44,390,000
Non-current investments	15	124,968	128,762
Non-current receivables from exchange transactions	16	834,850	1,256,030
<b>Current assets</b>		<b>449,443,926</b>	<b>639,995,118</b>
Inventory	17	25,326,036	24,687,641
Trade and other receivables from exchange transactions	19	276,075,704	248,832,757
Receivables from non-exchange transactions	20	82,038,478	88,573,929
Current portion of non-current receivables	16	150,118	329,048
Cash and cash equivalents	21	65,853,590	229,099,916
VAT receivable	18	0	48,471,827
<b>Total Assets</b>		<b>6,572,810,393</b>	<b>6,385,862,734</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>1,802,466,208</b>	<b>1,655,409,656</b>
Borrowings	5	1,446,315,652	1,333,295,042
Non-current employee benefits	6	169,980,000	155,060,000
Non-current provisions	7	183,600,026	165,816,002
Non-current finance lease liability	5	2,570,530	1,238,612
<b>Current liabilities</b>		<b>736,542,611</b>	<b>652,185,778</b>
Consumer deposits	8	57,004,529	44,822,374
Trade and other payables from exchange transactions	9	362,975,484	316,821,152
Unspent conditional grants and receipts	10	31,354,236	53,749,523
Current portion of non-current borrowings	5	184,388,046	171,335,664
Current portion of finance lease liabilities	5	2,657,091	3,191,384
VAT payable (Control)	18	4,000,227	0
Current employee benefits	6	94,162,998	62,265,681
<b>Net assets</b>		<b>4,033,801,573</b>	<b>4,078,267,301</b>
Reserves and funds	3	1,513,286,226	1,548,084,422
Housing development fund	2	16,788,195	20,527,483
Accumulated surplus / (deficit)	4	2,503,727,153	2,509,655,396
<b>Total Net Assets and Liabilities</b>		<b>6,572,810,393</b>	<b>6,385,862,734</b>



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**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 R	2018 RESTATED R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	1,332,489,665	1,287,024,316
Sale of Goods and Rendering of Services	24	16,001,550	10,924,234
Rental from fixed assets	25	34,245,803	30,473,307
Finance income and dividends	26	23,798,567	39,083,078
Operational revenue (exchange)	30	9,309,022	3,695,012
Licences and permits	28	17,643,030	17,329,103
<b>Revenue from non-exchange transactions</b>			
Property rates	22	271,147,343	245,517,386
Surcharges and taxes		1,339,281	1,453,967
Fines, penalties and forfeits	27	75,253,291	92,938,480
Transfers and subsidies	29	345,188,088	304,189,823
Operational revenue ( non - exchange)	30	14,369,654	7,825,306
<b>Total Revenue</b>		<b>2,140,785,294</b>	<b>2,040,454,013</b>
<b>EXPENDITURE</b>			
Employee related costs	31	671,960,597	567,573,581
Councillor related costs	32	29,945,188	28,062,166
Depreciation and amortisation	34	210,624,362	195,752,508
Operating leases		31,688,152	30,681,372
Interest paid	36	158,386,286	132,449,712
Bulk purchases : Electricity	37	673,707,616	632,000,521
Bulk purchases : Water	37	4,306,442	2,738,869
Contracted services	38	146,585,479	157,906,148
Inventory		57,435,330	53,284,906
Transfers and subsidies : operational expenditure		22,656,356	10,531,922
Operational cost	39	74,857,071	83,431,614
<b>Total Expenditure</b>		<b>2,082,152,878</b>	<b>1,894,413,317</b>
<b>GAINS AND LOSSES</b>			
Impairment losses on financial assets	33	105,608,249	128,634,998
Impairment losses on PPE, IA, IP & HA	35	1,006,785	27,983,597
(Gains) / losses on disposal of PPE, IA, IP & HA		(4,509,285)	24,306,180
Fair value adjustments Financial Assets		3,795	4,228
Fair value adjustments Investment Property		(1,950,000)	(3,740,000)
Gains/(losses) on Inventory		2,306,042	(22,350)
(Gains) from assets from non-exchange transactions		(39,911)	(291,000)
		<b>102,425,674</b>	<b>176,875,653</b>
<b>Total Surplus / (Deficit) from operations</b>		<b>(43,793,258)</b>	<b>(30,834,957)</b>



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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 R	2018 RESTATED R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Property rates		273,011,822	241,880,363
Sale of goods and services		1,252,219,365	1,147,612,711
Grants received		295,890,227	307,337,377
Interest received		23,783,447	39,067,958
Dividends received		15,120	15,120
Other receipts and fines received		106,060,984	109,511,915
Net VAT received		52,472,054	0
<b>PAYMENTS</b>			
Employee cost		(654,884,120)	(576,357,358)
Suppliers		(964,416,531)	(862,058,015)
Interest paid		(144,220,981)	(124,741,177)
Net VAT paid		0	(9,810,835)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	40	<b>239,931,389</b>	<b>272,458,058</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets		(576,123,335)	(651,721,214)
Proceeds on disposal of property, plant and equipment		33,471,669	173,220
Decrease/(Increase) in non-current receivables		421,180	911,165
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(542,230,486)</b>	<b>(650,636,829)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) / Increase in long-term liabilities		126,072,992	314,142,342
Increase in consumer deposits		12,182,156	3,415,058
Increase/(Decrease) in Financial Lease Liability		797,625	440,765
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>139,052,772</b>	<b>317,998,165</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(163,246,325)</b>	<b>(60,180,605)</b>
Cash and cash equivalents at the beginning of the year	21	229,099,916	289,280,521
Cash and cash equivalents at the end of the year	21	65,853,591	229,099,916



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**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

	Housing Development Fund	Revaluation Reserve	Total Accumulated Surplus	Total
	R	R	R	R
<b>OPENING BALANCES 30 JUNE 2017</b>	<b>24,102,258</b>	<b>1,233,155,248</b>	<b>2,501,877,481</b>	<b>3,759,134,987</b>
<b>PRIOR YEAR ADJUSTMENTS</b>				
Correction of unspent grants	0	0	7,330,093	7,330,093
Correction of water debtors	0	0	(2,965,543)	(2,965,543)
Correction of retention	0	0	13,826,019	13,826,019
Correction of receivables	0	0	(262,836)	(262,836)
Correction on sale of PPE	0	0	8,666,111	8,666,111
Correction of PPE	0	(46,544,943)	(26,904,787)	(73,449,731)
Correction of intangible assets	0	0	350,741	350,741
Correction of Standby allowance	0	0	(612,436)	(612,436)
Correction of Retention	0	0	1,016,566	1,016,566
<b>RESTATED BALANCES 30 JUNE 2017</b>	<b>24,102,258</b>	<b>1,186,610,305</b>	<b>2,502,321,409</b>	<b>3,713,033,972</b>
<b>2018</b>				
Net surplus/(deficit) for the year (Restated)	0	0	(30,834,957)	(30,834,957)
Asset Disposals	0	(4,935,801)	4,935,801	0
Revaluations		396,270,715	0	396,270,715
Transfer to Housing Development Fund	(3,574,776)	0	3,372,346	(202,430)
Offsetting of Depreciation	0	(29,860,797)	29,860,797	0
<b>RESTATED BALANCES 30 JUNE 2018</b>	<b>20,527,483</b>	<b>1,548,084,421</b>	<b>2,509,655,396</b>	<b>4,078,267,300</b>
<b>2019</b>				
Net surplus/(deficit) for the year	0	0	(43,793,258)	(43,793,258)
Asset Disposals	0	(5,121,476)	5,121,476	0
Transfer to Housing Development Fund	(3,739,288)	0	3,066,820	(672,468)
Offsetting of Depreciation	0	(29,676,720)	29,676,720	0
<b>BALANCE AT 30 JUNE 2019</b>	<b>16,788,195</b>	<b>1,513,286,226</b>	<b>2,503,727,154</b>	<b>4,033,801,574</b>
<b>NOTE REFERENCE</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

DESCRIPTIONS	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	37,645,089	0	37,645,089	0	0	37,645,089	25,326,036	0	(12,319,053)	67.28%	67.28%
Receivables from Exchange Transactions	281,455,673	0	281,455,673	0	0	281,455,673	276,075,704	0	(5,379,969)	98.09%	98.09%
Receivables from Non-exchange Transactions	0	0	0	0	0	0	82,038,478	0	82,038,478	0.00%	0.00%
Other debtors	123,173,349	0	123,173,349	0	0	123,173,349	0	0	(123,173,349)	0.00%	0.00%
Cash and Cash Equivalents	195,800,711	6,649,384	202,450,095	0	51,537,389	253,987,484	65,853,590	0	(188,133,894)	25.93%	33.63%
Current Portion of Long-term Receivables	325,000	0	325,000	0	0	325,000	150,118	0	(174,882)	46.19%	46.19%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	6,080,923,547	(24,934,342)	6,055,989,205	0	(51,537,389)	6,004,451,816	6,037,650,656	0	33,198,839	100.55%	99.29%
Intangible Assets	7,571,657	2,290,953	9,862,610	0	0	9,862,610	5,792,294	0	(4,070,316)	58.73%	76.50%
Investment Property	45,076,500	0	45,076,500	0	0	45,076,500	37,740,000	0	(7,336,500)	83.72%	83.72%
Heritage Assets	0	0	0	0	0	0	41,223,700	0	41,223,700	0.00%	0.00%
Non-current Investments	133,000	0	133,000	0	0	133,000	124,968	0	(8,032)	93.96%	93.96%
Other non-current assets	36,393,170	0	36,393,170	0	0	36,393,170	0	0	(36,393,170)	0.00%	0.00%
Long-term Receivables	2,025,124	0	2,025,124	0	0	2,025,124	834,850	0	(1,190,274)	41.22%	41.22%
<b>Total Assets</b>	<b>6,810,522,820</b>	<b>(15,994,005)</b>	<b>6,794,528,815</b>	<b>0</b>	<b>0</b>	<b>6,794,528,815</b>	<b>6,572,810,393</b>	<b>0</b>	<b>(221,718,422)</b>	<b>96.74%</b>	<b>96.51%</b>
<b>Current Liabilities</b>											
Consumer Deposits	43,710,745	0	43,710,745	0	0	43,710,745	57,004,529	0	13,293,784	130.41%	130.41%
Provisions	23,325,229	0	23,325,229	0	0	23,325,229	0	0	(23,325,229)	0.00%	0.00%
Payables	241,673,526	0	241,673,526	0	0	241,673,526	362,975,484	0	121,301,958	150.19%	150.19%
Unspent Conditional Grants and Receipts	0	0	0	0	0	0	31,354,236	0	31,354,236	0.00%	0.00%
VAT Payable	0	0	0	0	0	0	4,000,227	0	4,000,227	0.00%	0.00%
Retirement Benefit Liabilities - short term portion	0	0	0	0	0	0	94,162,998	0	94,162,998	0.00%	0.00%
Current Portion of Long-term Liabilities	178,805,737	0	178,805,737	0	0	178,805,737	184,388,046	0	5,582,309	103.12%	103.12%
Current Portion of Finance leases	0	0	0	0	0	0	2,657,091	0	2,657,091	0.00%	0.00%
<b>Non-Current Liabilities</b>											
Long-term Liabilities	1,482,840,651	0	1,482,840,651	0	0	1,482,840,651	1,446,315,652	0	(36,524,999)	97.54%	97.54%
Retirement Benefit Liabilities	0	0	0	0	0	0	169,980,000	0	169,980,000	0.00%	0.00%
Non-current Provisions	342,511,496	0	342,511,496	0	0	342,511,496	183,600,026	0	(158,911,470)	53.60%	53.60%
Finance lease liability	0	0	0	0	0	0	2,570,530	0	2,570,530	0.00%	0.00%
<b>Total Liabilities</b>	<b>2,312,867,384</b>	<b>0</b>	<b>2,312,867,384</b>	<b>0</b>	<b>0</b>	<b>2,312,867,384</b>	<b>2,539,008,819</b>	<b>0</b>	<b>226,141,435</b>	<b>109.78%</b>	<b>109.78%</b>
<b>Total Assets and Liabilities</b>	<b>4,497,655,436</b>	<b>(15,994,005)</b>	<b>4,481,661,431</b>	<b>0</b>	<b>0</b>	<b>4,481,661,431</b>	<b>4,033,801,574</b>	<b>0</b>	<b>(447,859,857)</b>	<b>90.01%</b>	<b>89.69%</b>
<b>Net Assets (Equity)</b>											
Statutory Funds	0	0	0	0	0	0	16,788,195	0	16,788,195	0.00%	0.00%
Reserves	2,627,469,701	17,325,000	2,644,794,701	0	0	2,644,794,701	1,513,286,226	0	(1,131,508,475)	57.22%	57.59%
Accumulated Surplus / (Deficit)	1,870,185,735	(33,319,005)	1,836,866,730	0	0	1,836,866,730	2,503,727,153	0	666,860,423	136.30%	133.88%
<b>Total Net Assets</b>	<b>4,497,655,436</b>	<b>(15,994,005)</b>	<b>4,481,661,431</b>	<b>0</b>	<b>0</b>	<b>4,481,661,431</b>	<b>4,033,801,573</b>	<b>0</b>	<b>(447,859,858)</b>	<b>90.01%</b>	<b>89.69%</b>

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

DESCRIPTIONS	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	305,830,748	(29,848,722)	275,982,026	0	0	275,982,026	271,147,343	0	4,834,683	98.25%	88.66%
Fines	69,847,415	28,374,831	98,222,246	0	0	98,222,246	75,253,291	0	22,968,955	76.62%	107.74%
Licences and Permits	4,640,127	(560,842)	4,079,285	0	0	4,079,285	3,462,960	0	616,326	84.89%	74.63%
Government Grants and Subsidies Received	265,112,381	(6,276,854)	258,835,527	0	0	258,835,527	182,494,744	0	76,340,783	70.51%	68.84%
<b>Revenue from Exchange Transactions</b>											
Service Charges	1,531,917,858	(132,837,350)	1,399,080,508	0	0	1,399,080,508	1,357,189,640	0	41,890,868	97.01%	88.59%
Rental of Facilities and Equipment	3,726,209	111,881	3,838,090	0	0	3,838,090	9,505,279	0	(5,667,189)	247.66%	255.09%
Interest Earned - External Investments	22,000,000	(10,000,000)	12,000,000	0	0	12,000,000	14,223,574	0	(2,223,574)	118.53%	64.65%
Interest Earned - Outstanding Debtors	15,977,643	(4,347,568)	11,630,075	0	0	11,630,075	10,902,171	0	727,904	93.74%	68.23%
Other Income	86,997,435	13,480,070	100,477,505	0	0	100,477,505	120,935,904	0	(20,458,399)	120.36%	139.01%
Gains on Disposal of Property, Plant and Equipment	250,000	39,590,653	39,840,653	0	0	39,840,653	42,515,071	0	(2,674,418)	106.71%	17006.03%
Gains from assets from non exchange transactions	0	0	0	0	0	0	1,978,672	0	(1,978,672)	0.00%	0.00%
<b>Total Revenue</b>	<b>2,306,299,816</b>	<b>(102,313,901)</b>	<b>2,203,985,915</b>	<b>0</b>	<b>0</b>	<b>2,203,985,915</b>	<b>2,089,608,649</b>	<b>0</b>	<b>114,377,266</b>	<b>94.81%</b>	<b>90.60%</b>
<b>Expenditure</b>											
Employee Related Costs	625,426,030	11,755,194	637,181,224	0	0	637,181,224	669,024,810	0	(31,843,586)	105.00%	106.97%
Remuneration of Councillors	31,229,363	(1,081,966)	30,147,397	0	0	30,147,397	29,945,188	0	202,209	99.33%	95.89%
Depreciation and Amortisation	201,673,156	18,753,287	220,426,443	0	0	220,426,443	210,624,362	0	9,802,081	95.55%	104.44%
Finance Costs	144,574,379	21,685,142	166,259,521	0	0	166,259,521	158,386,286	0	7,873,235	95.26%	109.55%
Bulk Purchases	712,439,900	(30,578,815)	681,861,085	0	0	681,861,085	678,014,058	0	3,847,027	99.44%	95.17%
Contracted Services	293,276,792	(69,931,615)	223,345,177	0	0	223,345,177	143,311,694	0	80,033,483	64.17%	48.87%
Grants and Subsidies Paid	20,563,462	3,292,423	23,855,885	0	0	23,855,885	22,533,535	0	1,322,350	94.46%	109.58%
Impairment of Financial assets	100,409,320	29,139,343	129,548,663	0	0	129,548,663	105,608,249	0	23,940,414	81.52%	105.18%
General Expenses	208,880,752	(16,388,423)	192,492,329	0	0	192,492,329	197,690,244	0	(5,197,915)	102.70%	94.64%
Other Materials	51,193,184	6,330,272	57,523,456	0	0	57,523,456	57,435,330	0	88,126	99.85%	112.19%
Loss on Disposal of Property, Plant and Equipment	2,000,000	6,900,000	8,900,000	0	0	8,900,000	10,988,574	0	(2,088,574)	123.47%	549.43%
<b>Total Expenditure</b>	<b>2,391,666,338</b>	<b>(20,125,158)</b>	<b>2,371,541,180</b>	<b>0</b>	<b>0</b>	<b>2,371,541,180</b>	<b>2,283,562,331</b>	<b>0</b>	<b>87,978,849</b>	<b>96.29%</b>	<b>95.48%</b>
<b>Surplus/(Deficit)</b>	<b>(85,366,522)</b>	<b>(82,188,743)</b>	<b>(167,555,265)</b>	<b>0</b>	<b>0</b>	<b>(167,555,265)</b>	<b>(193,953,682)</b>	<b>0</b>	<b>26,398,417</b>	<b>115.76%</b>	<b>227.20%</b>
Transfers Recognised - Capital	84,933,000	76,064,275	160,997,275	0	0	160,997,275	150,160,424	0	10,836,851	93.27%	176.80%
Contributions Recognised - Capital and Contributed Assets	0	0	0	0	0	0	0	0	0		
<b>Surplus/(Deficit) for the Year</b>	<b>(433,522)</b>	<b>(6,124,468)</b>	<b>(6,557,990)</b>	<b>0</b>	<b>0</b>	<b>(6,557,990)</b>	<b>(43,793,258)</b>	<b>0</b>	<b>37,235,268</b>	<b>667.78%</b>	<b>10101.74%</b>

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

DESCRIPTIONS	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	0	252,735	252,735	0	(36,752)	215,983	215,981	0	2	100.0%	0.0%
Finance and Administration	33,888,220	5,393,290	39,281,510	0	(3,146,598)	36,134,912	36,093,352	0	41,560	99.9%	106.5%
Internal Audit	0	59,506	59,506	0	0	59,506	59,506	0	0	100.0%	0.0%
Community and Social Services	7,935,779	(2,798,755)	5,137,024	0	(353,267)	4,783,757	4,783,751	0	6	100.0%	60.3%
Sport and Recreation	44,500,893	(11,915,239)	32,585,654	0	(9,108,420)	23,477,234	23,477,213	0	21	100.0%	52.8%
Public Safety	3,589,565	900,669	4,490,234	0	(1,500,993)	2,989,241	2,988,448	0	793	100.0%	83.3%
Housing	16,800,000	49,363,480	66,163,480	0	(17,471,919)	48,691,561	38,737,059	0	9,954,502	79.6%	230.6%
Health	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Planning and Development	0	296,843	296,843	0	(130,995)	165,848	165,848	0	1	100.0%	0.0%
Road Transport	61,957,971	21,523,491	83,481,462	0	(5,963,272)	77,518,190	77,518,186	0	4	100.0%	125.1%
Environmental Protection	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Energy Sources	129,469,565	6,969,834	136,439,399	0	0	136,439,399	155,203,667	(18,764,268)	(18,764,268)	113.8%	119.9%
Water Management	105,282,100	71,058,037	176,340,137	0	(2,300,920)	174,039,217	174,039,211	0	6	100.0%	165.3%
Waste Water Management	47,616,273	20,072,501	67,688,774	0	(11,524,253)	56,164,521	56,164,519	0	2	100.0%	118.0%
Waste Management	3,000,000	86,792	3,086,792	0	0	3,086,792	3,086,791	0	1	100.0%	102.9%
Other	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Total Sources of Capital Funds</b>	<b>454,040,366</b>	<b>161,263,184</b>	<b>615,303,550</b>	<b>0</b>	<b>(51,537,389)</b>	<b>563,766,161</b>	<b>572,533,531</b>	<b>(8,767,370)</b>	<b>(8,767,370)</b>	<b>101.6%</b>	<b>126.1%</b>
<b>CASH FLOW</b>											
Cash Flows from/(used in) Operating Activities	274,979,792	(71,719,327)	203,260,465	0	0	203,260,465	239,931,389	0	36,670,924	118.0%	87.3%
Cash Flows from/(used in) Investing Activities	(408,386,329)	(105,621,373)	(514,007,702)	0	51,537,389	(462,470,313)	(542,230,486)	0	(79,760,173)	117.2%	132.8%
Cash Flows from/(used in) Financing Activities	85,834,917	0	85,834,917	0	0	85,834,917	139,052,773	0	53,217,856	162.0%	162.0%
	<b>(47,571,620)</b>	<b>(177,340,700)</b>	<b>(224,912,320)</b>	<b>0</b>	<b>51,537,389</b>	<b>(173,374,931)</b>	<b>(163,246,325)</b>	<b>0</b>	<b>(10,128,606)</b>	<b>94.2%</b>	<b>343.2%</b>
Cash/Cash equivalents at the year begin:	243,372,332	183,990,084	427,362,416	0	0	427,362,416	229,099,916	0	198,262,500	53.6%	94.1%
<b>Cash/cash equivalents at the year end:</b>	<b>195,800,711</b>	<b>6,649,384</b>	<b>202,450,096</b>	<b>0</b>	<b>51,537,389</b>	<b>253,987,485</b>	<b>65,853,591</b>	<b>0</b>	<b>188,133,893</b>	<b>25.9%</b>	<b>33.6%</b>



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K.A 30 November 2019

**DRAKENSTEIN MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1. BASIS OF PRESENTATION**

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the notes on changes in accounting policies.

These standards are summarised as follows:

<b>Reference</b>	<b>Topic</b>
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies



Reference	Topic
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IFRS 4	Insurance contracts
IAS 12	Income taxes
IGRAP 1	Applying the probable test on initial recognition of revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease
IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives

Reference	Topic
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IFRIC 12	Service concession arrangements
SIC 25	Income taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure service concession
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 3	Transitional provisions for high capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
ASB Guide 1	Guideline on accounting for public private partnerships

The Cash Flow Statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

## 2. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued in prior periods, but are not yet effective and have not been early adopted by the municipality:

Reference	Topic	Effective date
GRAP 18	Segment Reporting - issued March 2005	1 July 2020
GRAP 20	Related Party Disclosures (Revised)	1 July 2019
GRAP 32	Service Concession Arrangement Grantor	1 July 2019
GRAP 108	Statutory Receivables	1 July 2019
GRAP 109	Accounting by Principals and Agents	1 July 2019



Reference	Topic	Effective date
GRAP 110	Living and Non-living Resources	1 July 2020
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	1 July 2019
IGRAP 18	Recognition and Derecognition of Land	1 July 2019
IGRAP 19	Liabilities to Pay Levies	1 July 2019

All other standards as listed above will only be effective on the date it is announced by the Minister of Finance.

The ASB issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme during the 2018/2019 financial year. Although not yet effective and not been early adopted by the municipality, certain principles contained within the guide necessitated the correction of certain previously accepted accounting principles applied in prior years, related to BNG housing.

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

### 3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

### 4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis. Auditing to build public confidence  
K.A 30 November 2019

## **5. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **6. COMPARATIVE INFORMATION AND BUDGET INFORMATION**

### **6.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2018 to 30 June 2019.

In general a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

### **6.2 Prior year comparatives**

The comparative figures of one prior period is disclosed. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

## **7. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

## **7.1 Housing Development Fund**

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4) (d) (ii) (aa), read with, inter alia, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Municipality for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

## **7.2 Un-realized Housing Proceeds**

In order to comply with Section 14(4) (d) (i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

## **8. INTERNAL RESERVES AND REVALUATION RESERVE**

### **8.1 Insurance Reserve**

A general Insurance Reserve has been established and, subject to re-insurance where deemed necessary, it covers claims not covered by external insurance.

Insurance premiums paid to external insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit



on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The cash in the municipal bank or investment account, as per cash and cash equivalents in the Statement of Financial Position, is ring-fenced and can only be utilised to finance items of property, plant and equipment.

## **8.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

## **9. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be

received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### **9.1 Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## **10. PROPERTY, PLANT AND EQUIPMENT**

### **10.1 Initial recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs

of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **10.2 Subsequent measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### **10.3 Depreciation**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.



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K.A 30 November 2019

Asset class	Useful lives as applied in the AR (years)
<b>Infrastructure</b>	
Roads and storm water	5-100
Electricity	5-75
Water	5-100
Sewerage	5-100
Solid Waste	5-100
<b>Buildings, structures and facilities</b>	
Buildings	50
Recreational and sports facilities	5-100
Parks, gardens and cemeteries	5-100
Housing assets	50
<b>Other assets</b>	
Transport Assets	5-20
Computer and other office equipment	3-10
Furniture & fittings	5-10
Machinery and equipment	5-10

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the entity's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

#### 10.4 De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the



disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

## **11. INTANGIBLE ASSETS**

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortization is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **12. INVESTMENT PROPERTIES**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- A building that is vacant but is held to be leased out under one or more operating leases.
- Property that is being constructed or developed for future use as investment property.

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the entity measures that investment property using the cost model

(as per the accounting policy for property, plant and equipment).

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **13. HERITAGE ASSETS**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regard to land and buildings all graded sites are classified as Heritage Assets. Furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, should be recognised as property, plant and equipment, rather than heritage assets.

#### **13.1 Initial recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.



Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

### **13.2 Subsequent measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

### **13.3 De-recognition of heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

## **14. INVENTORIES**

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### **14.1 Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

## **15. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND HERITAGE ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### **15.1 Impairment of cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

## **15.2 Impairment of non-cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That

reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **16. EMPLOYEE BENEFITS**

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

### **16.1 Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

### **16.2 Post-employment benefits: Defined contribution plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the



Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

### **16.3 Post-employment benefits: Defined benefit plans**

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

#### **16.3.1 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.



### **16.3.2 Ex-gratia Pension Benefits:**

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

### **16.4 Long-service allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

### **16.5 National- and Provincially administered defined benefit plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

## **16.6 Leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

## **16.7 Provision for bonus**

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

## **17. LEASES**

### **17.1 Lease classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

### **17.2 The Municipality as lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



### 17.3 The Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

## 18. BORROWINGS

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period incurred.

## 19. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

### 19.1 Classification of financial instruments

#### 19.1.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

*Financial asset at amortised cost* being a non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in



current assets, except for maturities greater than 12 months, which are classified as non-current assets.

*Financial assets measured at fair value* being financial assets that meet either of the following conditions:

- (a) Derivatives;
- (b) Combined instruments that are designated at fair value;
- (c) Instruments held for trading;
- (d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

*Financial assets measured at cost* being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in stock – ESKOM	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.



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### 19.1.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## 19.2 Initial and subsequent measurement

### 19.2.1 Financial assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

### **19.2.2 Financial liabilities:**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

## **19.3 Impairment of financial assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence

the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

#### **19.3.1 Consumer debtors**

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

#### **19.3.2 Other debtors**

Other Debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

#### **19.3.3 Long term debtors**

- Housing Loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

- Other Long Term Debtors

No provision for impairment is made for Other Long term Debtors, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.



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K.A 30 November 2019



The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **19.4 De-recognition of financial assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **19.5 De-recognition of financial liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

### **20. REVENUE RECOGNITION**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

## **20.1 Revenue from exchange transactions**

### **20.1.1 Service charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.



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K.A 30 November 2019

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **20.1.2 Pre-paid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### **20.1.3 Interest earned and rentals received**

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

#### **20.1.4 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### **20.1.5 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.



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K.A 30 November 2019

### **20.1.6 Income from agency services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### **20.1.7 Housing rental and instalments**

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

### **20.1.8 Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **20.2 Revenue from non-exchange transactions**

### **20.2.1 Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **20.2.2 Fines**

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

### **20.2.3 Donations and contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

### **20.2.4 Government grants and receipts**

- **Unconditional grants**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

- Conditional grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

- Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9.

#### **20.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.



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K.A 30 November 2019

### **20.2.6 Services received in kind**

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

### **20.2.7 Revenue recognition of unclaimed deposits**

Unclaimed deposits older than three (3) years are recognised as revenue.

## **21. HOUSING ARRANGEMENTS**

The ASB issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme during the 2017/2018 financial year. Although not yet effective and not been early adopted by the municipality, certain principles contained within the guide necessitated the correction of certain previously accepted accounting principles applied in prior years, related to BNG housing (Top structures).

The municipality has subsequently used the principles of GRAP 109 - Accounting by Principals and Agents and GRAP 11, Construction contracts to formulate its accounting policy for housing arrangements.

Where the Municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the statement of financial performance of the municipality.

Where the Municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality will apply the principles in the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the

construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Western Cape Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of Financial Performance.

## **22. VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

## **23. GRANTS-IN-AID**

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:-

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## **24. UNAUTHORISED EXPENDITURE**

Section 1 of the Municipal Finance Management Act (MFMA), No 56 of 2003, defines “unauthorised expenditure” as follows -

- (a) Overspending of the total amount appropriated in the municipality’s approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose or
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the



- allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

Section 1 of the MFMA also defines a “**vote**” as:

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The Municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the Municipality’s budget segments within the Municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality’s supply chain management policies.

## **26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **27. FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **28. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets,



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K.A 30 November 2019

liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

## **29. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Accounting Officer, executive directors and all other managers reporting directly to the Accounting Officer or as designated by the Accounting Officer.

## **30. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

## **31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.



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K.A 30 November 2019

**1. KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Judgements*

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

- **Materiality**

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these financial statements.

In preparation of the annual financial statements materiality has been considered in:

- a) Deciding what to report in the financial statements and how to present it.
- b) Assessing the effect of omissions, misstatements and errors on the financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items,

transactions and events), and used as a margin of error or framework within which to assess misstatements and errors. Based on professional judgement the quantitative value of materiality for the 2018/19 financial year is set at R11.5 million.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- a) The item, transaction or event relates to legal or regulatory requirements.
- b) Related party transactions.
- c) The regularity or frequency with which an item, transaction or event occurs.
- d) The item, transaction or event results in the reversal of a trend.
- e) The item, transaction or event is likely to result in a change in accounting policy.
- f) The commencement of a new function, or the reduction or cessation of an existing function.
- g) The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- h) An item, transaction or event that affects the going concern assumption of the municipality.

- **Lease classification – Municipality as lessor**

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

- **Lease classification – Municipality as lessee**

The Municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The Municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

- Classification of Property as held for strategic purposes.**  
 The Municipality classifies vacant land that is earmarked for future development in terms of the Municipality's Spatial Development Framework, as Property, plant and Equipment, rather than Investment Property.
- Criteria for the classification of properties as Investment property rather than Property, plant and equipment, when classification is difficult are as follows:**  
 All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as Investment Properties.
- Land held for currently undetermined future use.**  
 Leases properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as Investment Properties. The rental revenue generated is incidental to the purposes for which the property is held.
- Determination of Repairs and Maintenance costs**  
 Repairs and Maintenance is based on Management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of Municipal owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

- Pension and other post-employment benefits**  
 The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- Classification of financial assets and liabilities**  
 The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

- **Impairment of financial assets**

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

- **Valuation of Financial Assets at Fair Value**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

- **Review of useful lives of property, plant and equipment and intangible assets**

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed,



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availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

- **Valuation of Land and buildings and fair value estimations of Investment Property**

Land and buildings were valued and the fair value of Investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

- **Impairment of property plant and equipment, intangible assets, heritage assets and inventory**

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets.

- **Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the statement of financial performance.



- **Revenue recognition**

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue from exchange revenue - when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services are rendered, whether the service has been rendered.

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the Municipality is entitled to collect was calculated as 97.1% of the value of the fines issued, whereas it was estimated that 82.1% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- **Budget Information**

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>2. HOUSING DEVELOPMENT FUND</b>		
<b>Realised Housing Proceeds</b>		
Balance at beginning of the year	18,562,751	21,636,414
Plus : Interest & Redemption & Other on Housing Schemes	224,981	315,302
Plus : (Net Loss) / Surplus on letting schemes	(2,132,826)	(2,871,236)
Less : Housing Subsidies Expenditure	(897,449)	(517,729)
<b>Balance at the end of the year</b>	<b>15,757,456</b>	<b>18,562,751</b>
<b>Unrealised Housing Proceeds</b>		
Balance at beginning of the year	1,964,733	2,465,845
Long term Housing Loans	(933,993)	(501,112)
<b>Balance at the end of the year</b>	<b>1,030,740</b>	<b>1,964,733</b>
<b>TOTAL</b>	<b>16,788,195</b>	<b>20,527,484</b>

**3. RESERVES AND FUNDS**

Re-valuation Reserve	1,513,286,226	1,548,084,422
<b>Total Reserves</b>	<b>1,513,286,226</b>	<b>1,548,084,422</b>

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made when it is in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to the Accumulated Surplus. Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to *Statement of Changes in Net Assets* for more detail and the movement on Reserves.

**4. ACCUMULATED SURPLUS / (DEFICIT)**

<b>Total Accumulated Surplus</b>	<b>2,503,727,154</b>	<b>2,509,655,396</b>
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Refer to *Statement of Changes in Net Assets* for more detail and the movement on Accumulated Surplus.

Accumulated surplus has been restated according to GRAP 3. Refer to Note 41 on "*Restatement of Prior Year Figures and Adjustments*" for details of the restatement.

**5. BORROWINGS**

**Total Borrowings**

Annuity Loans	1,630,703,698	1,504,630,706
Finance Leases	5,227,621	4,429,996
<b>Sub-total</b>	<b>1,635,931,318</b>	<b>1,509,060,702</b>
Less : Current portion transferred to current liabilities	(187,045,137)	(174,527,048)
Annuity Loans	(184,388,046)	(171,335,664)
Finance Leases	(2,657,091)	(3,191,384)
<b>Non-current Borrowings</b>	<b>1,448,886,182</b>	<b>1,334,533,654</b>
Annuity Loans	1,446,315,652	1,333,295,042
Finance Leases	2,570,530	1,238,612

**5.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 3 to 10 (2018: 3 to 10) years and at interest rates varying from 6.75% to 12.278% (2018: 6.75% to 12.65%) per annum. Annuity Loans are not secured.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on borrowings.



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K.A 30 November 2019

**2019**  
**R**

**Restated**  
**2018**  
**R**

## 5.2 Obligations under Finance Leases

### The Municipality as Lessee:

The obligations under Finance Leases are as follow:

#### Minimum lease payments payable

Payable within one year	3,027,669	3,436,732
Payable within two to five years	2,807,932	1,325,827
Payable after five years	0	0
<b>Total minimum lease payments</b>	<b>5,835,601</b>	<b>4,762,559</b>
Less: future finance charges	(607,980)	(332,563)
<b>Present value of minimum lease payments</b>	<b>5,227,621</b>	<b>4,429,996</b>

#### Present value of minimum lease payments

Payable within one year	2,657,091	3,191,384
Payable within two to five years	2,570,530	1,238,612
Payable after five years	0	0
<b>Present value of lease obligations</b>	<b>5,227,621</b>	<b>4,429,996</b>

Finance leases were entered into for certain photocopier machines for a lease period of 36 months, electronic cashboxes/drop safes for a lease period of 48 months and a mobile containerised substation lease period of less than 1 year. Interest rates are fixed at the inception of the agreements. No arrangements have been entered into for contingent rental payments. The minimum lease payments equals the fair value of the equipment.

Finance Leases has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

## 6. EMPLOYEE BENEFITS

### Non-Current Employee benefits

Post Employment Health Care Benefits	132,524,000	116,917,000
Ex-Gratia Pension Benefits	1,891,000	2,297,000
Long service awards	35,565,000	35,846,000
	<b>169,980,000</b>	<b>155,060,000</b>

### Current Employee benefits

Post Employment Health Care Benefits	8,816,000	7,568,000
Ex-Gratia Pension Benefits	151,000	218,000
Long service awards	5,757,000	3,440,000
Provision for bonuses	17,604,049	15,233,132
Provision for performance bonuses	1,509,190	1,428,712
Staff leave provision	37,496,639	34,377,837
Provision for TASK backpay	22,829,120	0
	<b>264,142,998</b>	<b>217,325,681</b>

#### Total Employee benefits

Employee Benefits has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

### 6.1 Post Employment Health Care Benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr Niel Fourie and Mr Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

In-service Members (Employees)	725	639
Continuation Members (Retirees)	221	202
<b>Total Members</b>	<b>946</b>	<b>841</b>

The liability in respect of past service has been estimated as follow:

	2019 R	Restated 2018 R
In-service Members	57,894,000	53,961,000
Continuation Members	83,446,000	70,524,000
<b>Total Liability</b>	<b>141,340,000</b>	<b>124,485,000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R 3,734,000 whereas the Interest Cost is estimated to be R 13,766,000.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

**i) Rates of Interest**

Discount Rate  
CPI (Consumer Price Inflation)

Yield curve	Yield curve
Difference between nominal and yield curve	Difference between nominal and yield curve
CPI+1%	CPI+1%
Yield curve based	Yield curve based

Health Care Cost Inflation Rate

Net Effective Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The Actuaries used the nominal and real zero curves as at 29 June 2019 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

**ii) Mortality rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

**iii) Normal retirement age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**The amounts recognised in the Statement of Financial Position are as follow:**

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Present value of unfunded obligations	141,340,000	124,485,000
<b>Total Benefit Liability</b>	<b>141,340,000</b>	<b>124,485,000</b>

**The amounts recognised in the Statement of Financial Performance are as follow:**

Current service cost	3,348,000	3,440,000
Interest cost	12,156,000	11,872,000
Actuarial losses / (gains) recognised	10,861,605	39,479

**Total Post-retirement Benefit included in Employee Related Costs (Note 31)**

<b>26,365,605</b>	<b>15,351,479</b>
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	2019 R	Restated 2018 R
<b>Movements in the present value of the Defined Benefit Obligation were as follow:</b>		
Balance at the beginning of the year	124,485,000	118,305,000
Service costs	3,348,000	3,440,000
Interest cost	12,156,000	11,872,000
Benefits paid	(9,510,605)	(9,171,479)
Actuarial losses / (gains) recognised	10,861,605	39,479
<b>Present Value of Fund Obligation at the end of the year</b>	<b>141,340,000</b>	<b>124,485,000</b>

**Movements in the present value of the Defined Benefit Assets were as follow:**

Balance at the beginning of the year	0	0
Contributions from the employer	9,510,605	9,171,479
Benefits paid	(9,510,605)	(9,171,479)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

**The history of experienced adjustments are as follow:**

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined	141,340,000	124,485,000	118,305,000	126,078,000	127,693,000
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>141,340,000</b>	<b>124,485,000</b>	<b>118,305,000</b>	<b>126,078,000</b>	<b>127,693,000</b>
Experienced adjustments on	0	0	0	0	0

The effect of a 1% movement in the assumed rate of health care cost inflation is as follow:

	+1% Increase	-1% Decrease
Effect on the defined benefit obligation	144,428,000	137,293,000
Effect on the aggregate of the interest cost	14,076,000	13,358,000
Effect on the aggregate of the current service cost	3,818,000	3,608,000

**Total accrued liability**

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	+20% Mortality Rate	-20% Mortality Rate
Total accrued liability	133,391,000	150,721,000
Effect on the aggregate of the interest cost	12,967,000	14,708,000
Effect on the aggregate of the current service cost	3,512,000	3,984,000

The municipality expects to make a contribution of R 8,816,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 50 "Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 6.2 Ex-Gratia Pension Benefits

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr Niel Fourie and Mr Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured by multiplying the annual pension provided, by an appropriate annuity factor as at the valuation date.



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K.A 30 November 2019

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	2019 R	Restated 2018 R
In-service Members (Employees)	188	200
Continuation Members (Retirees)	8	15
<b>Total Members</b>	<b>196</b>	<b>215</b>

The liability in respect of past service has been estimated as follow:

In-service Members	0	0
Continuation Members	2,042,000	2,515,000
<b>Total Liability</b>	<b>2,042,000</b>	<b>2,515,000</b>

Lump Sum Benefit	1,321,000	1,473,000
Pension Benefit	721,000	1,042,000
	<b>2,042,000</b>	<b>2,515,000</b>

The interest-cost for the next year is estimated to be R 155,000. The actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

**i) Rates of Interest**

	Lump sum valuation	Lump sum valuation
Discount Rate	8.06%	8.40%
Consumer Price Inflation (CPI)	4.80%	5.69%
Pension increase rate - pensioners	5.80%	6.69%
Net Effective Discount Rate	2.14%	1.60%

	Pensioner Valuation	Pensioner Valuation
Discount Rate	7.80%	8.58%
Consumer Price Inflation (CPI)	4.60%	5.78%
Pension increase rate - pensioners	5.60%	6.78%
Net Effective Discount Rate	2.08%	1.69%

In accordance with GRAP 25 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 29 June 2019 supplied by the JSE was used to determine the discounted rates and CPI assumptions.

**ii) Mortality rates**

Mortality before retirement has been based on the PA (90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

**iii) Normal retirement age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**The amounts recognised in the Statement of Financial Position are as follow:**

Fair value of plan assets	0	0
Unrecognised actuarial gains / (losses)	0	0
Present value of unfunded obligations	2,042,000	2,515,000
<b>Total Benefit Liability</b>	<b>2,042,000</b>	<b>2,515,000</b>

**The amounts recognised in the Statement of Financial Performance are as follow:**

Current service cost	0	0
Interest cost	204,000	224,000
Actuarial losses / (gains) recognised	(548,592)	(151,764)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 31)</b>	<b>(344,592)</b>	<b>72,236</b>



	2019 R	Restated 2018 R
<b>Movements in the present value of the Defined Benefit Obligation were as follow:</b>		
Balance at the beginning of the year	2,515,000	2,591,000
Service costs	0	0
Interest cost	204,000	224,000
Benefits paid	(128,408)	(148,236)
Actuarial losses / (gains) recognised	(548,592)	(151,764)
<b>Present Value of Fund Obligation at the end of the year</b>	<b>2,042,000</b>	<b>2,515,000</b>

<b>Movements in the present value of the Defined Benefit Assets were as follow:</b>		
Balance at the beginning of the year	0	0
Contributions from the employer	(128,408)	(148,236)
Benefits paid	128,408	148,236
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The history of experienced adjustments is as follow:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined	2,042,000	2,515,000	2,591,000	3,369,000	3,964,000
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>2,042,000</b>	<b>2,515,000</b>	<b>2,591,000</b>	<b>3,369,000</b>	<b>3,964,000</b>
Experienced adjustments on	0	0	0	0	0

The effect of a 1% movement in the assumed rate of pension increase inflation is as follow:

	1% Decrease	1% Increase
Effect on the interest cost	152,000	159,000
Effect on the defined benefit obligation	1,999,000	2,089,000

The municipality expects to make a contribution of R 151,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 50 "Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

### 6.3 Provision for long service awards

Provision for Long Service Awards	41,322,000	39,286,000
	<b>41,322,000</b>	<b>39,286,000</b>
Less: Transfer to Current Provisions	(5,757,000)	(3,440,000)
<b>Total Non-current Provisions</b>	<b>35,565,000</b>	<b>35,846,000</b>

#### Long Service Awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr Niel Fourie and Mr Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,850 employees were eligible for Long-services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount Rate	Yield curve	Yield curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curve	Difference between nominal and yield curve
Normal Salary Increase Rate	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based	Yield curve based

**2019**  
R  
**Restated**  
**2018**  
R

GRAP 25 defines the determination of the Discount rate assumption to be used as follow:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

The Actuaries used the nominal and real zero curves as at 29 June 2019 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

**The amounts recognised in the Statement of Financial Position are as follow:**

Fair value of plan assets	0	0
Present value of unfunded obligations	41,322,000	39,286,000
<b>Total Benefit Provision</b>	<b>41,322,000</b>	<b>39,286,000</b>

**The amounts recognised in the Statement of Financial Performance are as follow:**

Current service cost	2,826,000	2,462,000
Interest cost	3,899,000	3,471,000
Actuarial Losses / (gains) recognised	(1,540,266)	2,131,814
<b>Total expense included in Employee Related Costs (Note 30)</b>	<b>5,184,734</b>	<b>8,064,814</b>

**Movements in the present value of the Defined Benefit Obligation were as follow:**

Balance at the beginning of the year	39,286,000	34,108,000
Current service costs	2,826,000	2,462,000
Interest cost	3,899,000	3,471,000
Benefits paid	(3,148,734)	(2,886,814)
Actuarial Losses / (gains) recognised	(1,540,266)	2,131,814
<b>Balance at the end of the year</b>	<b>41,322,000</b>	<b>39,286,000</b>

**Total Current Provisions at end of the year**

5,757,000 3,440,000

**Total Non-current Provisions at end of the year**

35,565,000 35,846,000

**Total Provisions at the end of the year**

**41,322,000 39,286,000**

**Movements in the present value of the Defined Benefit Assets were as follow:**

Balance at the beginning of the year	0	0
Contributions from the employer	3,148,734	2,886,814
Benefits paid	(3,148,734)	(2,886,814)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The effect of a 1% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	<b>1% Decrease</b>	<b>1% Increase</b>
Effect on the defined benefit obligation	38,666,000	44,343,000
Effect on the aggregate of the current service cost	2,802,000	3,320,000
Effect on the aggregate of the interest cost	3,811,000	4,399,000

The effect of a 20% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	<b>-20% Withdrawal rate</b>	<b>+20% Withdrawal rate</b>
Effect on the defined benefit obligation	43,279,000	39,629,000
Effect on the aggregate of the current service cost	3,288,000	2,837,000
Effect on the aggregate of the interest cost	4,292,000	3,908,000

The municipality expects to make a contribution of R5,757,000 to the defined benefit plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R3,045,000 whereas the Interest Cost is estimated to be R4,089,000.



	2019 R	Restated 2018 R
<b>6.4 Provision for bonuses</b>		
The movement in Provisions for bonuses are reconciled as follow:		
<b>Provision for bonuses</b>		
Balance at beginning of year	15,233,132	12,932,103
Net movement	2,370,917	2,301,029
<b>Balance at the end of the year</b>	<b>17,604,049</b>	<b>15,233,132</b>
<b>Balance of Current Provisions for Bonuses at beginning of year</b>	<b>15,233,132</b>	<b>12,932,103</b>
<b>Balance of Current Provisions for Bonuses at end of year</b>	<b>17,604,049</b>	<b>15,233,132</b>

Service bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees up to June from their previous bonus payment.

#### **6.5 Provision for performance bonuses**

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the Municipal Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. This process will be performed once the draft annual report for the 2018/19 year has been submitted to Council in January 2020. The performance bonuses have been provided as follow:

<b>Strategic Management Team</b>		
Leibbrandt, JH (City Manager)	278,236	225,617
Carstens, J (Chief Financial Officer )	223,545	184,441
Boshoff, GBF (Executive Director: Community Services) (Until 31 August 2018)	38,970	221,841
Johaar, S (Executive Director: Corporate Services)	223,545	184,441
Hattingh, D (Executive Director: Engineering Services) (Until 12 April 2019)	175,110	184,441
Waring, L (Executive Director: Planning and Development)	223,544	212,092
Esau, G (Executive Director: Community Services) (From 1 November 2018)	130,401	0
	<b>1,293,351</b>	<b>1,212,873</b>

The movement in Provisions are reconciled as follow:

<b>Provision for performance bonuses</b>		
Balance at beginning of year	1,428,712	1,250,281
Bonuses paid	(1,010,876)	(450,027)
Reversal of prior year provision	(201,997)	(584,415)
Increase in provision	1,293,351	1,212,873
<b>Balance at the end of the year</b>	<b>1,509,190</b>	<b>1,428,712</b>
<b>Balance of Current Provisions for performance bonuses at beginning of year</b>	<b>1,428,712</b>	<b>1,250,281</b>
<b>Balance of Current Provisions for performance bonuses at end of year</b>	<b>1,509,190</b>	<b>1,428,712</b>

Included in the balance of the provision is an amount of R215,839 (2018: R215,839) pertaining to the 2015/16 and 2016/17 performance evaluation that has not yet been paid to Ms AME De Beer as at 30 June 2019.

#### **6.6 Staff leave**

Staff Leave provision	<b>37,496,639</b>	<b>34,377,837</b>
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#### **6.7 Provision for TASK backpay**

Provision for TASK backpay	<b>22,829,120</b>	<b>0</b>
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Included in Employee cost is a provision for TASK backpay, due to the revaluation of post on TASK and the movement from the "Van Der Merwe" Salary scales to the TASK salary scales.

	2019 R	Restated 2018 R
<b>7. PROVISIONS</b>		
<b>Provision for rehabilitation of landfill sites</b>		
<b>The movement in Non-current Provisions are reconciled as follow:</b>		
<b>Landfill site</b>		
Balance at beginning of year	165,816,002	144,183,096
Changes in estimates	17,803,237	31,301,032
Rehabilitation expenditure during the year	(19,213)	(9,668,126)
<b>Balance of Provisions for Rehabilitation at end of year</b>	<b>183,600,026</b>	<b>165,816,002</b>
Balance of Current Provisions for Rehabilitation at end of year	0	0
Balance of Non-current Provisions for Rehabilitation at end of year	183,600,026	165,816,002
<b>Balance of Provisions for Rehabilitation at end of year</b>	<b>183,600,026</b>	<b>165,816,002</b>

The council will incur further rehabilitation cost on its unrehabilitated dumping/landfill sites over the period 2020/21 up to 2023/24. Provision has been made for the net present value of this cost based on the *status quo* as at 30 June 2019. Future interventions such as the proposed management of the Wellington Landfill site may in future adjust the date and cost of rehabilitation.

Location	Proposed rehabilitation date - 30 June 2019		
Wellington Existing	2023/2024	60,770,822	45,794,991
Wellington Old	2023/2024	35,001,213	32,065,401
Dal Josafat	2022/2023	13,193,300	13,793,973
Orleans	2020/2021	26,398,034	24,275,094
Boy Louw (Zanddrift)	2021/2022	48,236,657	49,886,543
		<b>183,600,026</b>	<b>165,816,002</b>

JPCE is a consulting engineering and environmental consulting firm appointed to determine a high-level concept-design stage costing-value (amount) to cap and rehabilitate the landfill sites at the end of the current Financial Year (2018/2019). Their independence from management is monitored. The firm is a member and fully subscribes to the Constitution and Code of Conduct of the Council of Engineers of South Africa.

Based on the work provided by JPCE, an applicable inflation rate of 4.7%-5.4% has been determined and a discounted rate of 6.36%-7.25% has been utilised.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the government bond rates with similar maturity periods. The municipality assessed the effect of discounting coupled with the future inflation rate to approximate the current cost of the expected rehabilitation cost as disclosed above.

## **8. CONSUMER DEPOSITS**

Electricity and Water	<b>57,004,529</b>	<b>44,822,374</b>
Guarantees held in lieu of Electricity and Water Deposits		
Guarantees held in lieu of Electricity and Water Deposits were R 16,063,607 (2018: R 19,018,364)		

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

	2019 R	Restated 2018 R
<b>9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Trade Creditors</b>	<b>211,496,129</b>	<b>139,341,045</b>
Eskom Limited (Bulk purchases)	140,032,888	84,291,533
Other Trade Creditors	71,463,241	55,049,512
Payments received in advance	48,718,988	61,468,375
Other payables and accruals	12,207,824	28,010,070
Retention	58,481,140	57,848,347
Rental Leases Expenditure : Straight lining	288,486	72,845
<b>Nett VAT accrual on outstanding receivables</b>	<b>31,782,917</b>	<b>30,080,470</b>
VAT accrual on receivables	39,075,397	43,631,027
VAT on provision for doubtful debt	(7,292,480)	(13,550,557)
<b>Total Creditors</b>	<b>362,975,484</b>	<b>316,821,152</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

The amount payable to ESKOM included in trade and other payables are for the current account only. The Municipality did not owe ESKOM any debt older than 30 days during 2018/19.

The VAT accrual on outstanding receivables, refers to the VAT portion of outstanding receivables, which is not yet payable to SARS, as the Municipality is registered on the payments basis for VAT with SARS, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Payables from exchange transactions has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

#### 10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

##### Conditional Grants from other spheres of Government

	31,354,236	53,749,522
National Government (Unconditional Grants)	(0)	(0)
National Government (Conditional Grants)	639,327	10,643,587
Provincial Government (Conditional Grants)	26,585,297	39,335,163
Other Grants	3,142,404	2,783,564
Guarantees and Donations (Unconditional)	987,208	987,208
<b>Total Conditional Grants and Receipts</b>	<b>31,354,236</b>	<b>53,749,522</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 29 for more detail of grants from National and Provincial Government.

Refer to Appendix "C" for more detail on Conditional Grants.

Unspent Conditional Grants and Receipts has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R	R	R
<b>Balance as at 30 June 2019</b>			
Land	913,335,363	0	913,335,363
Buildings, structures and facilities	1,029,143,255	(109,303,120)	919,840,135
Infrastructure	7,207,496,039	(3,163,601,530)	4,043,894,508
Other Assets	341,022,484	(189,116,162)	151,906,322
Capital Spares	8,674,327	0	8,674,327
<b>Total Property, Plant and Equipment</b>	<b>9,499,671,468</b>	<b>(3,462,020,813)</b>	<b>6,037,650,656</b>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
Cost	Accumulated Depreciation and Impairment	Carrying Value
R	R	R
<b>Restated balance as at 30 June 2018</b>		
Land	920,270,149	920,270,149
Buildings, structures and facilities	974,516,606	913,486,552
Infrastructure	6,701,490,030	3,670,886,431
Other Assets	324,427,804	141,214,677
Capital Spares	7,783,637	7,783,637
<b>Total Property, Plant and Equipment</b>	<b>8,928,488,227</b>	<b>5,653,641,447</b>

Total Property, Plant and Equipment held by the municipality at 30 June 2019 comprised the amounts analysed as above.

Revaluation of all land & buildings in 2017/18 was performed by Mr. C. Botha, an accredited valuator of HCB Valuers.

**RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Carrying values at 1 July 2018</b>	<b>920,270,149</b>	<b>913,486,552</b>	<b>3,670,886,431</b>	<b>141,214,677</b>	<b>7,783,637</b>	<b>5,653,641,447</b>
Cost and revaluation	920,270,149	946,200,105	5,827,345,159	324,427,804	7,783,637	8,026,026,855
Cost - assets under construction (WIP)	0	28,316,501	874,144,870	0	0	902,461,372
Accumulated depreciation	0	(61,030,054)	(3,030,603,599)	(183,213,127)	0	(3,274,846,780)
Additions	41,664	27,754,515	182,512,816	30,124,521	0	240,433,517
Work in progress	0	27,233,234	346,955,046	0	0	374,188,280
Other changes	0	0	0	0	890,689	890,689
Depreciation	0	(47,961,326)	(144,469,394)	(17,318,972)	0	(209,749,693)
Impairment	0	(416,500)	0	(590,285)	0	(1,006,785)
Carrying value of disposals	(6,976,450)	(256,340)	(11,990,390)	(1,523,619)	0	(20,746,800)
Cost	(6,976,450)	(361,100)	(23,461,853)	(13,529,841)	0	(44,329,244)
Accumulated Depreciation	0	104,760	11,471,463	12,006,222	0	23,582,444
<b>Carrying Values at 30 June 2019</b>	<b>913,335,363</b>	<b>919,840,135</b>	<b>4,043,894,508</b>	<b>151,906,322</b>	<b>8,674,327</b>	<b>6,037,650,656</b>
Cost and revaluation	913,335,363	981,999,119	6,199,890,682	341,022,484	8,674,327	8,444,921,975
Cost - assets under construction (WIP)	0	47,144,137	1,007,605,357	0	0	1,054,749,493
Accumulated depreciation & Impairment	0	(109,303,120)	(3,163,601,530)	(189,116,162)	0	(3,462,020,813)



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SOUTH AFRICA

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K.A 30 November 2019

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

					2019 R	Restated 2018 R
	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Restated carrying values at 1 July 2017</b>	<b>809,884,341</b>	<b>673,432,465</b>	<b>3,226,584,222</b>	<b>115,505,494</b>	<b>6,429,457</b>	<b>4,831,835,980</b>
Cost and revaluation	809,884,341	785,264,893	5,556,054,844	281,864,932	6,429,457	7,439,498,467
Cost - assets under construction (WIP)	0	26,800,935	575,657,725	0	0	602,458,660
Accumulated depreciation	0	(138,633,363)	(2,905,128,346)	(166,359,438)	0	(3,210,121,147)
Additions	291,000	43,765,445	65,662,458	42,604,034	0	152,322,937
Work in progress	0	17,293,026	516,947,376	0	0	534,240,402
Revaluation adjustments	121,259,723	230,849,042	0	0	0	352,108,765
Revaluation increase in value	125,233,223	128,148,084	0	0	0	253,381,307
Revaluation elimination of depreciation		122,070,435	0	0	0	122,070,435
Revaluation decrease recognised in profit/loss	(3,973,500)	(19,369,477)	0	0	0	(23,342,977)
Other changes	(2,944,215)	0	0	0	1,354,180	(1,590,035)
Depreciation	0	(44,576,849)	(133,111,710)	(16,526,634)	0	(194,215,193)
Impairment	0	0	(3,401,344)	(354,690)	0	(3,756,034)
Carrying value of disposals	(8,220,700)	(7,276,578)	(1,794,571)	(13,527)	0	(17,305,375)
Cost	(8,220,700)	(7,386,300)	(12,832,372)	(41,162)	0	(28,480,534)
Accumulated Depreciation	0	109,723	11,037,802	27,635	0	11,175,159
<b>Restated carrying values at 30 June 2018</b>	<b>920,270,149</b>	<b>913,486,552</b>	<b>3,670,886,431</b>	<b>141,214,677</b>	<b>7,783,637</b>	<b>5,653,641,447</b>
Cost and revaluation	920,270,149	946,200,105	5,827,345,159	324,427,804	7,783,637	8,026,026,855
Cost - assets under construction (WIP)	0	28,316,501	874,144,870	0	0	902,461,372
Accumulated depreciation & Impairment	0	(61,030,054)	(3,030,603,599)	(183,213,127)	0	(3,274,846,780)

Property, Plant and Equipment has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

**11.1 Significant disposal of Land and Buildings during the year:**

During the financial period, Drakenstein Municipality transferred the electrical distribution and reticulation network within the Pniel and Hollandse Molen areas (falling within the Stellenbosch municipal area) to Stellenbosch Municipality, for an amount of R16,236,253. The transfer of assets, with a carrying value of R8,767,141, was made upon request from Stellenbosch Municipality, and after approval by both the municipal councils.

**11.2 Land and Buildings carried at Fair Value:**

Land and Buildings were revalued to fair value during the 2017/18 financial period. The effective date of revaluation was 1 July 2017 and the valuation was performed by registered and independent valuers.

**11.3 Assets pledged as security:**

No assets have been pledged as security.

**11.4 Impairment of Property, Plant and Equipment:**

The municipality assessed its items of Property, Plant and Equipment, Intangible assets and Heritage assets for any potential impairment losses on assets.

The following impairment losses were recognised during the year:

Other Assets: Vehicles	590,285	354,690
Land and Buildings	416,500	23,342,977
(2018: on revaluation, where value decreases exceeded revaluation surplus credit balances)		
Infrastructure Assets	0	3,401,344
<b>Total impairments recognised</b>	<b>1,006,785</b>	<b>27,099,010</b>

Impairment losses on vehicles were predominantly due to the assets being damaged beyond repair.

No impairments were reversed in the current year, and no impairment losses were recognised on revalued assets directly in the Statement of Net assets.

**11.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:**

A review of the useful lives and residual values of items of Property, Plant and Equipment has been performed. The change in the estimated useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R3,196,254 (2018: R4,077,317).

2019  
R

Restated  
2018  
R

**11.6 Property, plant and equipment in the process of being constructed or developed:**

No projects were identified where construction or development has been halted, or that is taking a significantly longer period of time to complete than expected.

**11.7 Repairs and maintenance**

Repairs and maintenance per detail asset category and expenditure classifications was as follow:

Asset Category	2018/19					
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	Grand Total
Buildings, Structures and Facilities	13,552,637	57,392,273	5,155,400	8,021,574	69,955	84,191,840
Infrastructure	28,594,869	95,590,614	14,615,360	13,032,236	191,522	152,024,602
Other Assets	19,905,758	4,866,144	2,291,587	101,538	62,329	27,227,355
	<b>62,053,264</b>	<b>157,849,031</b>	<b>22,062,348</b>	<b>21,155,347</b>	<b>323,806</b>	<b>263,443,796</b>

  

Asset Category	2017/18 (Restated)					
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	Grand Total
Buildings, Structures and Facilities	7,791,832	55,751,732	4,055,786	2,019,750	11,228	69,630,327
Infrastructure	57,603,317	89,929,587	11,934,808	21,826,575	195,154	181,489,440
Other Assets	20,615,777	4,327,038	922,221	158,831	-	26,023,868
	<b>86,010,925</b>	<b>150,008,356</b>	<b>16,912,814</b>	<b>24,005,157</b>	<b>206,383</b>	<b>277,143,635</b>

Repairs and maintenance as disclosed above excludes internal transport charges (inter-departmental charges).

The repairs and maintenance note has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

**12. INTANGIBLE ASSETS**

	Cost R	Accumulated Amortisation R	Carrying Value R
<b>Balance as at 30 June 2019</b>	<b>12,579,678</b>	<b>(6,787,384)</b>	<b>5,792,294</b>
Computer Software and Systems	9,696,047	(4,640,028)	5,056,019
Plans and Designs	1,930,927	(1,583,011)	347,916
Licenses and Rights	952,704	(564,345)	388,359

<b>Restated balance as at 30 June 2018</b>	<b>19,799,885</b>	<b>(14,572,209)</b>	<b>5,227,676</b>
Computer Software and Systems	16,590,254	(12,380,473)	4,209,781
Plans and Designs	1,930,927	(1,501,412)	429,516
Licenses and Rights	1,278,703	(690,323)	588,380

**The movement in intangible assets are reconciled as follow:**

Carrying value at the beginning of the year	<b>5,227,677</b>	<b>6,814,991</b>
Cost	19,799,884	19,864,756
Accumulated amortisation and impairment	(14,572,208)	(13,049,765)
Additions resulting from acquisitions	2,231,884	870,645
Amortisation	(874,670)	(1,537,315)
Impairment	0	(884,587)
Carrying value of disposal (de-recognition)	(792,597)	(36,058)
Cost	(9,452,090)	(935,517)
Accumulated Surplus	8,659,493	899,459
<b>Carrying value at the end of the year</b>	<b>5,792,294</b>	<b>5,227,677</b>
Cost	12,579,678	19,799,884
Accumulated amortisation and impairment	(6,787,384)	(14,572,208)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

Intangible assets has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior year Figures and Adjustments" for details of the adjustment.

The amortisation method and useful life of Intangible assets is set out in the accounting policy note of Intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.



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K.A 30 November 2019

**2019**  
R  
**Restated**  
**2018**  
R

### 13. INVESTMENT PROPERTY

Land and Buildings	37,740,000	44,390,000
	<b>37,740,000</b>	<b>44,390,000</b>

The fair value model is applied to Investment property.

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of Investment property.

**The movement in investment properties are reconciled as follow:**

Carrying value at the beginning of the year	<b>44,390,000</b>	<b>40,650,000</b>
Fair value	44,390,000	40,650,000
Fair value adjustment gain	1,950,000	3,740,000
Disposal of investment property	(8,600,000)	0
<b>Carrying value at the end of the year</b>	<b>37,740,000</b>	<b>44,390,000</b>
Fair value	37,740,000	44,390,000

#### Method of Asset Valuation 2018/19

The date of fair value assessment was on 30 June 2019.

Each property was identified and inspected and fair values adjusted where appropriate. An Investment property could be described as a real estate property that has the ability of earning a return on investment, either through rental income and/or the future resale of the property or both. The methodology applied was therefore based on the so-called Open Market Value, taking into account the zoning status of the property, the cost implications of the rezoning process and any other limitations.

A register containing the information required by section 63 of the Municipal Management Finance Act is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by a Professional Associated Valuer (Reg no. 4729), Jean Marais from Real Direct Property Valuations.

Revenue and Expenditure disclosed in the Statement of Financial Performance include rental revenue earned from Investment Property to the amount of R 658,224 (2018 restated: R641,537).

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are contractual obligations for repairs to certain Investment Properties which are leased out.

#### Repairs and maintenance

Repairs and maintenance per detail asset category and expenditure classifications was as follow:

Asset Category	2018/19					
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	Grand Total
Investment property	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Asset Category	2017/18					
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	Grand Total
Investment property	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



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K.A 30 November 2019

**14. HERITAGE ASSETS**

	2019 R	Restated 2018 R
At Revaluation amount	40,523,000	40,523,000
At Cost less Accumulated Impairment Losses	700,700	700,700
	<b>41,223,700</b>	<b>41,223,700</b>

The movement in Heritage Assets is reconciled as follow:

	Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
<b>Carrying values at 30 June 2018</b>	<b>40,523,000</b>	<b>700,700</b>	<b>41,223,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	40,523,000	0	40,523,000
<b>Movements during the year</b>			
Increases in Revaluations	0	0	0
<b>Carrying values at 30 June 2019</b>	<b>40,523,000</b>	<b>700,700</b>	<b>41,223,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	40,523,000	0	40,523,000

	Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
<b>Restated carrying values at 1 July 2017</b>	<b>26,842,000</b>	<b>700,700</b>	<b>27,542,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	26,842,000	0	26,842,000
Accumulated Impairment	0	0	0
<b>Movements during the year</b>			
Increases in Revaluations	13,681,000	0	13,681,000
<b>Restated carrying values at 30 June 2018</b>	<b>40,523,000</b>	<b>700,700</b>	<b>41,223,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	40,523,000	0	40,523,000

Land and buildings Heritage assets were revalued to fair value during the 2017/18 financial period. The effective date of revaluation was 1 July 2017 and the valuation was performed by registered and independent valuers.

The compare sales method was applied to land (historical sites and conservation areas), where comparable valid sales in a specific area was used, compared to the specific property, and market valuation derived. Due to the nature of historical buildings and monuments, i.e. where there is no comparable property sales, the generally accepted methodology of these was limited to the discounted replacement cost of the physical structures.

Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain and is the second largest granite outcrop in the world and forms part of the Nature Reserve. The site is a Provincial Heritage Site (SAHRA Nr 9/2/069/0028).

The Paarl Arboretum is situated on the eastern bank of the Berg River, is 2.8 km long and occupies approximately 31 ha. Divided into 6 "continents" a unique feature is that trees and shrubs are grouped according to continents of origin. In excess of 2 600 trees and shrubs, entering some 650 different species can be observed.



2019  
R

Restated  
2018  
R

The following buildings owned by the Municipality, declared Provincial Heritage sites, have been classified as Heritage assets:

1. De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.
2. The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.
3. Ouma Granny's House, 37 Fontein Street, Wellington (SAHRA Nr 9/2/106/0012), Victorian cottage dating to 1876.
4. Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0019/1), dating to 1902.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

#### Repairs and maintenance

Repairs and maintenance per detail asset category and expenditure classifications was as follow:

Asset Category	2018/19					Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	
Heritage Assets	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Asset Category	2017/18					Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	
Heritage Assets	249,056	0	0	0	0	249,056
	<b>249,056</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>249,056</b>

#### 15. NON-CURRENT INVESTMENTS

##### Listed

Eskom stock at fair value

**Total listed investments**

124,968	128,762
<b>124,968</b>	<b>128,762</b>

The fair value of the listed investments is estimated at R 124,968 (2018: R 128,762). Fair value of Eskom stock is determined based on discounted cash flow analysis, at a discounted rate of 7.570%, (2018: 8.4650%).

Listed Shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum. The investment will mature in three equal tranches on 1 August 2019, 2020 and 2021.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

#### 16. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Impairment Provision R	Net Balances R
<b>As at 30 June 2019</b>			
Public organisations	77,834	0	77,834
Housing selling scheme loans	1,102,639	(195,505)	907,134
	<b>1,180,473</b>	<b>(195,505)</b>	<b>984,968</b>
Less: Current Portion transferred to Current Receivables:-			150,118
Public organisations			0
Housing selling scheme loans			150,118
<b>Total Receivables from Exchange Transactions</b>			<b>834,850</b>
<b>As at 30 June 2018</b>			
Public organisations	77,834	0	77,834
Housing selling scheme loans	2,036,633	(529,388)	1,507,245
	<b>2,114,466</b>	<b>(529,388)</b>	<b>1,585,078</b>
Less: Current Portion transferred to Current Receivables:-			329,048
Public organisations			0
Housing selling scheme loans			329,048
<b>Total Receivables from Exchange Transactions</b>			<b>1,256,030</b>

2019	Restated
R	2018
	R

#### Public Organisations

Loans to public organisations are granted in terms of the National Housing Policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

#### Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest, as determined by the National Minister of Housing, currently 13,5% per annum and are repayable over 20 years.

#### 16.1 Reconciliation of the Provision for Impairment

Balance at beginning of year	529,388	128,207
Net movement	(333,883)	401,181
<b>Balance at end of year</b>	<b>195,505</b>	<b>529,388</b>

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

#### 17. INVENTORY

Consumable stores	3,817,729	4,830,273
Maintenance materials	26,377,044	23,092,413
Water	644,438	849,011
Spare parts for Plant & Equipment	170,467	376,168
Plants held for resale	46,467	379,194
Land for BNG housing	2,944,215	2,944,215
Less: Inventory held as spare parts for infrastructure assets	(8,674,324)	(7,783,633)
<b>Total Inventory</b>	<b>25,326,036</b>	<b>24,687,641</b>

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R29,103 (2018: R 108,344) was written off due to discrepancies identified during the annual stock count. An amount of R 85,080 (2018: R 95,763) was written off due to valuation of inventory at the lower of cost and NRV in accordance with GRAP 13.

Inventories of R 8,674,324 (2018: R 7,783,690) are held as major spare parts for infrastructure assets and has been transferred to Property, Plant and Equipment.

#### 18. VAT

VAT (Payable) / Receivable	(4,000,227)	48,471,827
<b>Total VAT</b>	<b>(4,000,227)</b>	<b>48,471,827</b>

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Value Added Tax has been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

	2019 R	Restated 2018 R
<b>19. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Consumer receivables from exchange transactions	256,714,670	237,356,224
Other receivables from exchange transactions	19,361,035	11,476,533
<b>Total Receivables from Exchange Transactions</b>	<b>276,075,704</b>	<b>248,832,757</b>

**19.1 Consumer receivables from exchange transactions**

**As at 30 June 2019**

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	310,678,748	(60,121,846)	250,556,903
Trade: Electricity	151,594,570	(11,774,320)	139,820,250
Water	96,772,855	(38,617,864)	58,154,992
Waste Management (solid waste)	37,324,055	(5,874,966)	31,449,088.48
Waste Water Management (sewerage and sanitation)	24,987,269	(3,854,696)	21,132,573
Housing Rental Schemes	7,961,873	(2,427,644)	5,534,230
Housing Selling Schemes	812,418	(188,880)	623,537
<b>Total</b>	<b>319,453,039</b>	<b>(62,738,370)</b>	<b>256,714,670</b>

**As at 30 June 2018**

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	342,135,366	(106,696,735)	235,438,631
Trade: Electricity	146,321,652	(11,202,906)	135,118,746
Water	127,353,274	(82,891,896)	44,461,378
Waste Management (solid waste)	41,395,906	(7,876,317)	33,519,589
Waste Water Management (sewerage and sanitation)	27,064,534	(4,725,616)	22,338,918
Housing Rental Schemes	8,450,936	(6,741,508)	1,709,428
Housing Selling Schemes	851,493	(643,328)	208,165
<b>Total</b>	<b>351,437,795</b>	<b>(114,081,571)</b>	<b>237,356,224</b>

The average credit period for Consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer receivables.

The management of the municipality is of the opinion that the carrying value of Consumer receivables approximate their fair values.

The fair value of Consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer receivables as well as the current payment ratio's of the municipality's Consumer receivables.

Analysis of Consumer receivables Age in Days						
As at 30 June 2019	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R	R	R	R	R	R
Electricity	127,687,030	624,473	3,829,582	714,450	1,450,400	793,524
Water	21,528,481	2,086,808	6,541,726	2,381,347	4,554,630	2,618,444
Waste Management	8,120,241	335,583	1,940,969	368,246	1,378,682	367,654
Waste Water Management	7,345,533	243,839	1,416,361	260,471	901,248	250,898
Housing Rental Schemes	420,588	48,945	317,039	54,011	277,983	81,584
Housing Selling Schemes	29,515	4,298	24,143	5,467	20,922	5,783
<b>Total</b>	<b>165,131,387</b>	<b>3,343,946</b>	<b>14,069,819</b>	<b>3,783,991</b>	<b>8,583,865</b>	<b>4,117,888</b>
As at 30 June 2019	Past due					
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired	
	R	R	R	R	R	
Electricity	18,627,558	9,641,872	151,594,570	11,774,319	12,757,694	
Water	64,148,018	31,531,265	96,772,855	38,617,864	38,713,318	
Waste Management	25,884,162	4,803,483	37,324,055	5,874,966	23,664,431	
Waste Water Management	15,324,128	3,099,489	24,987,269	3,854,696	14,030,879	
Housing Rental Schemes	6,946,263	2,243,105	7,961,873	2,427,644	5,162,586	
Housing Selling Schemes	737,838	173,332	812,418	188,880	598,320	
<b>Total</b>	<b>131,667,967</b>	<b>51,492,546</b>	<b>319,453,039</b>	<b>62,738,370</b>	<b>94,927,228</b>	

**2019**  
**R**

**Restated**  
**2018**  
**R**

As at 30 June 2018	Analysis of Consumer Debtors Age in Days					
	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R	R	R	R	R	R
Electricity	122,835,585	784,147	3,329,875	791,908	1,788,408	800,749
Water	31,637,521	3,650,265	10,769,817	4,811,049	8,618,445	5,687,860
Waste Management	6,170,119	170,391	1,872,669	255,446	1,489,677	319,072
Waste Water Management	5,959,187	125,218	1,331,870	171,561	968,371	213,339
Housing Rental Schemes	433,320	6,877	281,116	28,091	261,580	39,119
Housing Selling Schemes	40,908	9,616	31,640	9,646	25,360	9,793
<b>Total</b>	<b>167,076,639</b>	<b>4,746,514</b>	<b>17,616,987</b>	<b>6,067,701</b>	<b>13,151,842</b>	<b>7,069,932</b>

As at 30 June 2018	Past due		Total	Total impaired	Total - Past due but not impaired
	91 - 120+	91 - 120+ impaired			
	R	R	R	R	R
Electricity	18,367,785	8,826,102	146,321,652	11,202,906	13,067,309
Water	76,327,490	68,742,722	127,353,274	82,891,896	16,474,122
Waste Management	31,863,440	7,131,408	41,395,906	7,876,317	27,519,861
Waste Water Management	18,805,106	4,215,498	27,064,534	4,725,616	16,504,949
Housing Rental Schemes	7,474,921	6,667,421	8,450,936	6,741,508	1,282,986
Housing Selling Schemes	753,585	614,273	851,493	643,328	176,873
<b>Total</b>	<b>153,592,327</b>	<b>96,197,424</b>	<b>351,437,795</b>	<b>114,081,571</b>	<b>75,026,100</b>

In determining the recoverability of a Consumer receivable, the municipality considers any change in the credit quality of the Consumer receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired Consumer receivables with a balance of R400,868 (2017: R805,120) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer receivables and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

#### 19.2 Other receivables from exchange transactions

Sundry debtors	14,855,928	19,127,547
Other receivables from exchange transactions	8,041,881	5,427,290
Less : Provision for Impairment	(3,536,774)	(13,078,304)
<b>Total Other Debtors from exchange transactions</b>	<b>19,361,035</b>	<b>11,476,533</b>

#### Reconciliation of Impairment provision

Balance at beginning of the year	13,078,304	5,228,283
Net movement	(9,541,530)	7,850,021
<b>Balance at year end</b>	<b>3,536,774</b>	<b>13,078,304</b>

Trade and other receivables from exchange transactions have been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.



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SOUTH AFRICA

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K.A 30 November 2019

**20. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2019 R	Restated 2018 R
Consumer receivables from non-exchange transactions	35,635,283	40,016,122
Other receivables from non-exchange transactions	46,403,195	48,557,807
<b>Total Receivables from Non-exchange Transactions</b>	<b>82,038,477</b>	<b>88,573,929</b>

**20.1 Consumer receivables from non-exchange transactions**

	Gross Balances	Provision for Impairment	Net Balance
<b>As at 30 June 2019</b>			
Service debtors	38,295,903	(5,801,087)	32,494,816
Rates	38,295,903	(5,801,087)	32,494,816
Fines	122,854,232	(119,713,765)	3,140,467
<b>Total</b>	<b>161,150,135</b>	<b>(125,514,852)</b>	<b>35,635,283</b>

**RESTATED**

**As at 30 June 2018**

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	38,648,531	(5,628,517)	33,020,014
Rates	38,648,531	(5,628,517)	33,020,014
Fines	117,187,207	(110,191,099)	6,996,108
<b>Total</b>	<b>155,835,737</b>	<b>(115,819,616)</b>	<b>40,016,122</b>

**Analysis of Consumer Debtors Age in Days**

	Not due		Past due			
<b>As at 30 June 2019</b>	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R		R		R	
Rates	20,056,772	568,777	2,503,082	570,944	966,592	484,614
Fines	3,409,553	2,903,971	6,119,095	5,193,433	4,976,074	3,843,728
<b>Total</b>	<b>23,466,325</b>	<b>3,472,748</b>	<b>8,622,177</b>	<b>5,764,378</b>	<b>5,942,666</b>	<b>4,328,343</b>

**Past due**

	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
	R		R		
Rates	14,769,456	4,176,752	38,295,903	5,801,087	13,006,821
Fines	108,349,511	107,772,633	122,854,232	119,713,765	2,634,885
<b>Total</b>	<b>123,118,967</b>	<b>111,949,384</b>	<b>161,150,135</b>	<b>125,514,852</b>	<b>15,641,705</b>

**Analysis of Consumer Debtors Age in Days**

	Not due		Past due			
<b>RESTATED As at 30 June 2018</b>	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R		R		R	
Rates	16,836,747	254,463	2,778,981	262,410	1,409,216	284,485
Fines	8,738,873	7,012,444	12,760,078	10,248,234	7,665,852	5,948,045
<b>Total</b>	<b>25,575,621</b>	<b>7,266,907</b>	<b>15,539,060</b>	<b>10,510,644</b>	<b>9,075,069</b>	<b>6,232,530</b>

**Past due**

	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
	R		R		
Rates	17,623,586	4,827,159	38,648,531	5,628,517	16,437,730
Fines	88,022,403	86,982,376	117,187,207	110,191,099	5,269,678
<b>Total</b>	<b>105,645,988</b>	<b>91,809,535</b>	<b>155,835,737</b>	<b>115,819,616</b>	<b>21,707,408</b>

**Reconciliation of Impairment provision**

**Rates receivable**

Balance at beginning of the year	5,628,517	4,355,559
Net movement	172,570	1,272,958
<b>Balance at year end</b>	<b>5,801,087</b>	<b>5,628,517</b>

**Reconciliation of Impairment provision**

**Fines receivables**

Balance at beginning of the year	110,191,099	144,473,080
Contributions to Provision for doubtful debt	64,013,206	73,468,280
Impairment of receivables	(54,490,540)	(107,750,261)
<b>Balance at year end</b>	<b>119,713,764</b>	<b>110,191,099</b>

**20.2 Other receivables from non-exchange transactions**

	2019 R	Restated 2018 R
Grants & Subsidies	35,869,613	38,400,651
Prepayments	7,078,003	6,056,479
Other receivables from non-exchange transactions	3,435,811	4,082,162
Rental Leases : Straight lining	19,767	18,516
<b>Total Other Debtors from non-exchange transactions</b>	<b><u>46,403,195</u></b>	<b><u>48,557,807</u></b>

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other receivables.

The management of the municipality is of the opinion that the carrying value of Other receivables approximate their fair values.

The fair value of Other receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other receivables. The current payment ratio's of Other receivables were also taken into account for fair value determination.

The impairment provision was calculated after individually assessing other receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

**Reconciliation of Impairment provision**

***Service debtors, rates debtors, other debtors and long-term receivables***

Balance at beginning of the year	133,317,780	111,545,397
Contributions to Provision for doubtful debt	35,336,966	57,967,251
Impairment of receivables	(96,383,010)	(36,194,868)
<b>Balance at 30 June 2018</b>	<b><u>72,271,736</u></b>	<b><u>133,317,780</u></b>

Receivables from non-exchange transactions have been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.



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SOUTH AFRICA

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K.A 30 November 2019

## 21. CASH AND CASH EQUIVALENTS

The Municipality has the following bank accounts: -

		2019 R	Restated 2018 R
FNB Primary Bank Account	627-023-103-85	8,777,432	60,134,803
FNB Secondary Bank Account	627-023-123-49	0	0
FNB Traffic Fines Bank Account	620-715-265-14	0	0
FNB Motor Vehicle Licensing Bank Account	628-046-375-70	0	0
		<b>8,777,432</b>	<b>60,134,803</b>

At the beginning of 2017/18, the Municipality moved over to First National Bank (FNB), but for continuity reasons still utilised the Nedbank accounts up to the end of December 2017. All account balances are cleared on a daily basis to the main account. The municipality had an overdraft facility of R5 million with Nedbank, but did not utilise it for this financial year. The municipality does not have an overdraft facility with FNB.

Bank statement balance at beginning of year	60,134,803	59,410,605
Bank statement balance at end of year	8,777,432	60,134,803
Cash book balance at beginning of year	<b>3,969,323</b>	<b>12,490,584</b>

### Petty Cash / Float

Bank statement at end of year	26,450	24,450
Net movement / reconciling items	8,777,432	60,134,803
	(2,827,516)	(56,165,480)
<b>Cash book balance at end of year</b>	<b>5,949,916</b>	<b>3,969,323</b>
<b>Short term investment deposits.</b>	<b>59,877,224</b>	<b>225,106,143</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>65,853,590</b>	<b>229,099,916</b>

For the purposes of the Cash Flow Statement, Bank Balances, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE		
ABSA	92-9096-7912	CALL DEPOSIT	3,084,620	22,042,604
ABSA	92-9214-9948	CALL DEPOSIT	4,021,260	22,440,317
ABSA	92-9416-2871	CALL DEPOSIT	4,058,792	22,198,173
ABSA	92-9735-7532	CALL DEPOSIT	4,035,730	22,270,182
ABSA	92-9737-3681	CALL DEPOSIT	3,305,201	22,286,422
ABSA	40-9637-0104	CALL DEPOSIT	40,076,216	0
			<b>58,581,818</b>	<b>111,237,698</b>
FIRST NATIONAL BANK	747-2328-2667	32 DAY CALL ACCOUNT	1,277,020	1,189,642
FIRST NATIONAL BANK	627-5905-4085	CALL DEPOSIT	0	760,303
			<b>1,277,020</b>	<b>1,949,945</b>
INVESTEC	1400-020170-500	CALL DEPOSIT	18,385	0
			<b>18,385</b>	<b>0</b>
STANDARD BANK	07 875 830 0 - 035	CALL DEPOSIT	0	110,238,247
STANDARD BANK	07 875 830 0 - 043	CALL DEPOSIT	0	392,591
STANDARD BANK	07 875 830 0 - 047	CALL DEPOSIT	0	1,287,663
			<b>0</b>	<b>111,918,501</b>
<b>TOTAL INVESTMENTS</b>			<b>59,877,224</b>	<b>225,106,144</b>
<b>FINANCING FACILITIES</b>				
Unsecured Bank overdraft				
- Amount used			0	0
- Amount unused			0	0
			<b>0</b>	<b>0</b>



AUDITOR-GENERAL  
SOUTH AFRICA

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K.A 30 November 2019

	2019 R	Restated 2018 R
<b>22. PROPERTY RATES</b>		
<b>Actual</b>		
Residential	212,715,017	207,630,806
Agricultural	57,650,326	45,614,608
Commercial	94,894,902	70,281,830
State	25,812,412	24,250,162
Less : Income forgone rates	(119,925,315)	(102,260,020)
<b>Total Property Rates</b>	<b>271,147,343</b>	<b>245,517,386</b>
<b>Valuation as at June 2018</b>		
Residential	35,849,214,870	37,760,058,842
Agricultural	8,521,896,600	8,528,593,101
Commercial	10,580,458,972	7,175,028,200
State	2,470,077,050	2,476,904,050
<b>Total Property Valuations</b>	<b>57,421,647,492</b>	<b>55,940,584,193</b>
General Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2017. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.		
Rates are levied monthly on property owners and are payable the 15th of each month for monthly rate payers of Drakenstein areas and 30th September for annual payers. Interest is levied at the prime rate on outstanding rates amounts.		
<b>23. SERVICE CHARGES</b>		
Sale of Electricity	1,045,188,765	988,802,269
Sale of Water	184,157,814	199,259,821
Waste Management (solid waste)	138,258,427	120,931,290
Waste Water Management (sewerage and sanitation)	116,246,237	101,204,564
Other	0	42,670
	<b>1,483,851,243</b>	<b>1,410,240,614</b>
Less: Income forgone	(151,361,578)	(123,216,298)
<b>Total Service Charges</b>	<b>1,332,489,665</b>	<b>1,287,024,316</b>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
Service charges have been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.		
<b>24. SALE OF GOODS AND RENDERING OF SERVICES</b>		
Building Plan Approval	8,012,679	4,736,591
Camping Fees	2,207,847	2,012,404
Cemetery and Burial	3,142,365	2,615,652
Other revenue from the sale of goods and rendering of services	2,638,659	1,559,588
	<b>16,001,550</b>	<b>10,924,234</b>
<b>25. RENTAL FROM FIXED ASSETS</b>		
Operating Lease Rental Revenue:		
Land & Buildings	1,949,782	1,485,983
Housing Rental	31,319,899	28,828,259
Other Rental Revenue	976,121	159,066
<b>Total Rentals</b>	<b>34,245,803</b>	<b>30,473,308</b>
<b>26. FINANCE INCOME AND DIVIDENDS</b>		
Interest - external investments	14,208,454	22,013,037
Dividends - stock	15,120	15,120
Interest - outstanding debtors	9,574,994	17,054,921
<b>Total Interest Receivable</b>	<b>23,798,567</b>	<b>39,083,078</b>



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>27. FINES, PENALTIES AND FORFEITS</b>		
Building	5,000	8,000
Illegal Connections - Electricity	177,810	46,254
Overdue Books Fine	100,036	98,474
Pound Fees	866,585	313,067
Traffic	74,103,860	92,472,686
	<b>75,253,291</b>	<b>92,938,479</b>

Fines, penalties and forfeits have been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

**28. LICENSES AND PERMITS - AGENCY FEES**

Included in licenses and permits is an amount of R13,537,700 (2018: R12,755,962) received from the Department of Transport and Public Works as agency fees for motor vehicle registration and licenses services, which the Municipality performs on behalf of the Department of Transport and Public Works.

**29. TRANSFERS AND SUBSIDIES**

Grants from Operational	168,125,090	152,319,538
Grants from Capital	177,062,998	151,870,286
	<b>345,188,088</b>	<b>304,189,824</b>

Unconditional grants

Equitable Share	137,518,000	120,821,000
Other	4,959,501	2,014,109
Operational grants	<b>142,477,501</b>	<b>122,835,109</b>

Conditional grants

National Government	66,277,203	61,862,644
Provincial Government	137,363,775	119,571,271
Provincial Government	(117,295)	0

Sub-total	<b>346,001,184</b>	<b>304,269,024</b>
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Offsetting of Housing Expenditure where Municipality is seen as an agent

<b>Total Government Grant and Subsidies</b>	<b>(813,097)</b>	<b>(79,200)</b>
	<b>345,188,087</b>	<b>304,189,824</b>

**29.1 National Government (Unconditional Grants)**

Balance unspent at beginning of year	(0)	0
Current year	(137,518,000)	(120,821,000)
Conditions met - transferred to revenue	137,518,000	120,821,000
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(0)</b>	<b>(0)</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All qualifying registered indigent households receive 6 kl water and 100 kWh electricity free every month.

**29.2 National Government (Conditional Grants)**

Balance unspent at beginning of year	(10,643,587)	(1,329,231)
Current year receipts	(56,272,943)	(71,177,000)
Conditions met - transferred to revenue	66,277,203	61,862,644
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(639,327)</b>	<b>(10,643,587)</b>

These grants were used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met.

This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA. Other than the unspent amount, the conditions of the grant have been met.

**29.3 Provincial Government (Conditional Grants)**

Balance unspent at beginning of year	(39,335,163)	(24,929,667)
Current year receipts	(124,613,909)	(133,976,767)
Conditions met - transferred to revenue	137,363,775	119,571,271
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(26,585,297)</b>	<b>(39,335,163)</b>
Conditions not met - repaid to grant provider	60,000	0
Conditions not met - repaid to grant provider	57,295	0
Conditions still to be met - transferred to liabilities (refer note 10)	<b>117,295</b>	<b>0</b>

These grants received from Provincial Government are for operational and capital expenditure such as

Revenue from Housing Grants and the related housing operating expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 813,097 (2018: R 79,200). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the operating expenditure.



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K.A 30 November 2019  
81

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**29.4 Other Grants**

	2019 R	Restated 2018 R
Balance unspent at beginning of year	(2,783,564)	(3,465,515)
Current year receipts	(2,209,423)	(1,332,157)
Conditions met - transferred to revenue	1,850,583	2,014,109
Conditions still to be met - transferred to liabilities (refer note 10)	<u><u>(3,142,404)</u></u>	<u><u>(2,783,564)</u></u>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**29.5 Guarantees and Donations**

Balance unspent at beginning of year	(987,208)	(1,065,596)
Current year receipts	(3,108,919)	0
Conditions met - transferred to revenue	3,108,919	78,388
Conditions still to be met - transferred to liabilities (refer note 10)	<u><u>(987,208)</u></u>	<u><u>(987,208)</u></u>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**30. OPERATIONAL REVENUE**

<i>Revenue from exchange transactions</i>		
Revenue from exchange transactions	<u><u>9,309,022</u></u>	<u><u>3,695,012</u></u>
<i>Revenue from non-exchange transactions</i>		
Goods and services received in kind	14,369,654	7,825,306
	<u><u>14,369,654</u></u>	<u><u>7,825,306</u></u>

**Services received in kind**

During the financial year, the municipality received the following services in kind, that was recognised in terms of GRAP 23.

The Western Cape Provincial Treasury, seconded two employees for a period of eight months during the 2018/19 financial year to the Municipality. The fair value of the services received equates to R204,348 (2018: R116,771).

Included in goods and services in kind, is an amount of R14,165,305 (2018: R7,708,536) related to interest payable on an external loan that was waived by DBSA as a grant from the IIPSAS fund was received by the DBSA (the lender). This grant covered a part of the interest payable on the loan received from the DBSA during the 2017/2018 year. In terms of GRAP 23, where lenders waive their right to collect a debt owed by an entity, revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.

	2019 R	Restated 2018 R
<b>31. EMPLOYEE RELATED COSTS</b>		
<b>Salaries and Wages</b>	<b>426,570,671</b>	<b>374,345,318</b>
Salaries	426,570,671	374,345,318
<b>Other Allowances and contributions</b>	<b>214,229,097</b>	<b>169,739,733</b>
Social contributions - UIF, pensions and medical aid etc.	91,575,497	79,982,268
Travel, motor car, accommodation, subsistence and other allowances	28,508,156	19,426,054
Housing benefits and allowances	4,861,151	5,801,043
Overtime payments	36,437,636	36,635,911
Acting Allowance	1,292,964	1,807,657
Shift Allowance	2,002,979	1,784,874
Standby Allowance	10,992,385	9,891,530
Night Shift Allowance	2,779,135	2,266,488
Cell Allowance	2,736,191	1,488,998
Workman Compensation	2,935,787	2,632,679
Contribution to leave reserve	6,186,739	7,393,775
Provision for TASK backpay	22,829,121	0
Provision for performance bonuses	1,091,355	628,458
<b>Defined Benefit Plan Expense: Post Employment Health Care</b>	<b>26,365,605</b>	<b>15,351,479</b>
Current	3,348,000	3,440,000
Loss on actuarial valuations	10,861,605	39,479
Interest Cost	12,156,000	11,872,000
<b>Defined Benefit Plan Expense: Ex Gratia Pension Benefits</b>	<b>(344,592)</b>	<b>72,236</b>
Gains on actuarial valuations	(548,592)	(151,764)
Interest Cost	204,000	224,000
<b>Defined Benefit Plan Expense: Long Service</b>	<b>5,184,734</b>	<b>8,064,814</b>
Current Service Cost	2,826,000	2,462,000
Loss on actuarial valuations	0	2,131,814
Gains on actuarial valuations	(1,540,266)	0
Interest Cost	3,899,000	3,471,000
<b>Sub Total</b>	<b>672,005,515</b>	<b>567,573,580</b>
Expenditure Recharged	(44,918)	0
Recharged to capital projects	(44,918)	0
<b>Total Employee Related Costs</b>	<b>671,960,597</b>	<b>567,573,580</b>



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Remuneration of Executives	Total	Annual Salary	Structured Bonus	Re Imbursive Traveling	Acting Allowance	Car Allowance	Performance Bonus	Medical Contributions	Backpay	Leave	Social Contribution	Subsistence	UIF	Cell Allowance	Unpaid Hours	Group Insurance	Non-Pensionable Allowance
	R	R	R	R	R	R	R	R	R	R	R	R	R	R		R	R
2019																	
Leibrandt JH (City Manager)	2,283,621	1,516,196	0	0	0	144,000	263,981	35,187	0	0	272,915	0	1,785	30,452	0	19,104	0
Carstens J (Chief Financial Officer)	1,714,904	1,229,217	0	0	0	96,000	166,643	0	0	0	221,259	0	1,785	0	0	0	0
Johanna S (Executive Director: Corporate Services)	1,788,488	921,626	0	0	0	0	166,643	0	0	0	165,893	0	1,785	23,313	0	11,613	497,616
Hattingh D (Executive Director: Engineering Services)	1,444,351	1,250,785	0	0	0	0	166,643	0	0	0	0	0	1,546	25,377	0	0	0
Boshoff GBF (Executive Director: Community Services)	398,922	251,270	47,514	0	0	10,000	80,321	0	9,371	0	0	0	446	0	0	0	0
Waring LA (Executive Director: Planning and Development)	1,788,488	1,302,328	0	0	0	60,000	166,643	0	0	0	234,419	0	1,785	23,313	0	0	0
Esau G (Executive Director: Community Services)	946,076	700,369	0	0	0	105,000	0	0	0	0	126,067	0	1,041	13,599	0	0	0
Petersen V (Acting Executive Director: Community Services)	0	0	0	0	12,186	0	0	0	0	0	0	0	0	0	0	0	0
Saayman E (Acting Executive Director: Community Services)	0	0	0	0	45,900	0	0	0	0	0	0	0	0	0	0	0	0
	10,364,849	7,171,791	47,514	0	58,085	415,000	1,010,876	35,187	9,371	0	1,020,552	0	10,172	116,053	-	30,717	497,616

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Remuneration of Executives	Total R	Annual Salary R	Structured Bonus R	Re Imbursement Traveling R	Acting Allowance R	Car Allowance R	Performance Bonus R	Medical Contributions R	Backpay R	Leave R	Social Contribution R	Subsistence R	UIF R	Cell Allowance R	Unpaid Hours R	Group Insurance R	Structured Non- Pensionable Allowance R
<b>2018</b>																	
Labbrandt JH (City Manager)	1,968,655	1,221,770	0	2,674	0	144,000	50,726	51,899	203,374	0	246,581	0	1,785	30,452	0	15,394	0
Carstens J (Chief Financial Officer)	1,667,579	1,008,486	0	0	0	97,874	147,698	46,452	154,640	0	209,363	1,282	1,785	0	0	0	0
Johaar S (Executive Director: Corporate Services)	1,538,129	701,596	0	0	0	0	0	0	151,434	0	153,545	0	1,785	23,313	0	8,840	497,616
Hattingh D (Executive Director: Engineering Services)	1,552,254	1,334,339	0	0	0	0	0	0	180,601	0	0	0	1,786	35,528	0	0	0
Boshoff GB (Executive Director: Community Services)	1,683,438	1,518,891	0	0	0	60,000	74,815	0	27,532	0	0	416	1,785	0	0	0	0
Waring LA (Executive Director: Planning and Development)	1,640,944	1,233,000	0	0	0	60,000	114,443	0	0	0	221,940	0	1,785	27,198	(17,422)	0	0
Delany D (Acting Executive Director: Planning and Development)	9,929	0	0	0	9,929	0	0	0	0	0	0	0	0	0	0	0	0
Keketsi N (Acting Chief Financial Officer)	6,873	0	0	0	6,873	0	0	0	0	0	0	0	0	0	0	0	0
	<b>10,067,801</b>	<b>7,018,081</b>	<b>0</b>	<b>2,674</b>	<b>16,802</b>	<b>361,874</b>	<b>387,681</b>	<b>98,351</b>	<b>717,581</b>	<b>0</b>	<b>831,429</b>	<b>1,698</b>	<b>10,709</b>	<b>116,491</b>	<b>(17,422)</b>	<b>24,234</b>	<b>497,616</b>

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2018/19 and 2017/18 years respectively.  
Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.

	2019 R	Restated 2018 R
<b>32. COUNCILLOR RELATED COSTS</b>		
Executive Mayor (Poole CJ)	1,051,128	1,000,408
Deputy Executive Mayor (Combrink GC)	849,782	811,966
Speaker (Stowman AC)	849,782	806,806
Chief Whip (Koegelenberg RA)	799,445	757,007
Mayoral Committee Members	8,350,291	7,553,556
Councillors	18,044,760	17,132,423
<b>Total Councillors Remuneration</b>	<b>29,945,188</b>	<b>28,062,166</b>

***In Kind Benefits***

The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Councillors receive the benefit of special risk insurance cover (SASRIA) as provided for in terms of the upper limits of the salaries, allowances and benefits of the different members of municipal councils, as determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998. This insurance cover, should cover the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

**33. IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

**Bad Debts**

Contribution to Impairment Provision	105,608,249	128,105,610
Contribution from Impairment Provision	(150,873,550)	(130,107,191)
Bad Debts Written-off	150,873,550	130,636,579
	<b>105,608,249</b>	<b>128,634,998</b>

**34. DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	209,749,693	194,281,084
Amortisation: Intangible Assets	874,670	1,471,423
<b>Total Depreciation and Amortisation</b>	<b>210,624,362</b>	<b>195,752,508</b>

Depreciation and amortisation have been restated according to GRAP 3. Refer to Note 41 on "Prior Period Adjustments" for details of the restatement.

**35. IMPAIRMENT LOSSES ON PPE, IA AND HA**

**Impairment Losses on Fixed Assets Recognised:**

Property, Plant and Equipment	1,006,785	27,983,597
Intangible Assets	0	884,587
<b>Total Impairment Losses</b>	<b>1,006,785</b>	<b>27,983,597</b>

Impairment losses includes an amount totalling R0 (2018: R23,342,976), which is due to the revaluation of land and buildings during 2017/18. In terms of GRAP 17, if the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit, to the extent that there is not a credit balance existing in the revaluation surplus in respect of that asset.

	2019 R	Restated 2018 R
<b>36. INTEREST PAID</b>		
Long-term Liabilities	143,899,762	124,284,561
Finance Leases	321,219	456,615
<b>Interest on External Borrowings - exchange transactions</b>	<b>144,220,981</b>	<b>124,741,177</b>
Interest on long-term liabilities - non-exchange transaction	14,165,305	7,708,536
<b>Total Interest on external borrowings</b>	<b>158,386,286</b>	<b>132,449,712</b>

The weighted average capitalisation rate on funds borrowed generally is 10.30% per annum (2018: 9.80% per annum).

The interest on long-term liabilities - non-exchange transaction, refers to interest to an amount of R14,168,216 (2018: R7,708,536) that was waived by DBSA as a grant from the IIPAS fund was received by the DBSA (the lender), this grant covered a part of the interest payable on the loan received from the DBSA during the 2018/2019 year. In terms of GRAP 23, where lenders waive their right to collect a debt owed by an entity, revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven. For purposes of ratio analysis where interest is used, this line-item is to be disregarded as the physical payment of the interest was not done.

### 37. BULK PURCHASES

Electricity	673,707,616	632,000,521
Water	4,306,442	2,738,869
<b>Total Bulk Purchases</b>	<b>678,014,058</b>	<b>634,739,390</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town.

### 38. CONTRACTED SERVICES

<i>Consultants and Professional Services</i>		
Business and Advisory	23,962,855	25,049,147
Legal Cost	4,962,449	4,466,240
Other Consultants and professional services	941,259	348,421
<i>Contractors</i>		
Catering Services	991,016	1,800,048
Housing Project Expenditure	4,011,414	5,326,162
Maintenance of Buildings and Facilities	13,492,952	6,957,072
Maintenance of Equipment	21,164,492	20,924,000
Maintenance of Infrastructure and other assets	29,044,140	61,178,155
Safeguard and Security	33,543,684	23,805,740
Other contractors services	9,098,928	4,151,607
<i>Outsourced Services</i>		
Traffic Fines Management	2,538,728	3,022,284
Other outsourced services	2,833,563	877,271
	<b>146,585,479</b>	<b>157,906,148</b>

### 39. OPERATIONAL COST

Advertising, Publicity and Marketing	5,118,769	6,168,547
Bank Charges, Facility and Card Fees	4,862,752	5,156,413
Commission	9,238,766	8,744,199
Communication	7,184,586	7,216,850
External Audit Fees	7,435,898	6,614,280
External Computer Service	6,676,476	8,377,588
Insurance Underwriting	7,403,125	4,596,180
Printing, Publications and Books	2,500,153	2,258,673
Professional Bodies, Membership and Subscription	6,262,545	5,747,569
Provision for the rehabilitation of landfill	3,936,857	15,710,432
Remuneration to Ward Committees	870,775	695,863
Skills Development Fund Levy	5,180,039	4,680,683
Uniform and Protective Clothing	2,579,942	2,388,845
Other Operational Expenditure	5,606,388	5,075,492
	<b>74,857,071</b>	<b>83,431,614</b>

Operational cost have been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.



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**40. CASH GENERATED BY OPERATIONS**

	2019 R	Restated 2018 R
Surplus/(Deficit) for the year	(43,793,258)	(30,834,957)
Adjustment for :-	163,694,322	208,391,313
- Depreciation and amortisation	210,624,362	195,752,508
- Housing Development Fund	(672,469)	(202,428)
- Provision for landfill rehab - IGRAP2 adjustment	(13,866,380)	(15,609,813)
- Impairment Losses	1,006,785	27,983,597
- Fair Value adjustments	(1,950,000)	(3,740,000)
- Assets from capital grant in-kind	(26,902,575)	(19,811,958)
- Gain on assets from non exchange transactions	(39,911)	(291,000)
- Fair Value adjustments on Listed stock	3,795	4,228
- (Gain)/Losses on disposal of property, plant and equipment	(4,509,285)	24,306,180
<b>Operating surplus before working capital changes:</b>	<b>119,901,064</b>	<b>177,556,356</b>
(Increase)/Decrease in inventories	(1,529,085)	714,352
(Increase)/Decrease in receivables from exchange transactions	(27,242,947)	(43,699,846)
(Increase)/Decrease in Long Term Receivables	178,930	(8,872)
Decrease /(Increase) in receivables from non-exchange transactions	6,535,451	(18,007,101)
Decrease /(Increase) in Post retirement benefits and Long services	46,817,317	19,056,351
(Decrease)/Increase in other provisions	17,784,025	21,632,905
(Decrease)/Increase in unspent conditional grants and receipts	(22,395,287)	22,959,513
Increase/(Decrease) in creditors	47,409,866	102,065,237
Decrease/(Increase) in VAT(net)	52,472,054	(9,810,835)
<b>Cash generated by operations</b>	<b>239,931,387</b>	<b>272,458,060</b>

Cash Generated by operations have been restated according to GRAP 3. Refer to Note 41 on "Restatement of Prior Year Figures and Adjustments" for details of the restatement.

**41. RESTATEMENT OF PRIOR YEAR FIGURES AND ADJUSTMENTS**

The following restatements and adjustments occurred which are set out below:

**a) Reclassifications**

**i) Adjustment of statement of financial performance items**

**REVENUE**

**Revenue from exchange transactions**

Service charges	1,292,300,481	0	1,292,300,481
Sale of Goods and Rendering of Services	10,924,234	0	10,924,234
Rental from Fixed Assets	30,473,307	0	30,473,307
Finance Income and Dividends	38,719,750	0	38,719,750
Operational Revenue (exchange)	3,695,012	0	3,695,012
Licences and permits	17,329,103	0	17,329,103

**Revenue from non-exchange transactions**

Property Rates	245,517,386	0	245,517,386
Surcharges and Taxes	1,453,967	0	1,453,967
Fines, Penalties and Forfeits	92,938,480	0	92,938,480
Transfers and Subsidies	308,004,189	0	308,004,189
Operational revenue (non - exchange)	7,825,306	0	7,825,306
<b>Total Revenue</b>	<b>2,049,181,215</b>	<b>0</b>	<b>2,049,181,215</b>

**EXPENDITURE**

Employee Related Costs	567,468,315	0	567,468,315
Councillor related costs	28,062,166	0	28,062,166
Depreciation and Amortisation	186,526,978	0	186,526,978
Operating Leases	17,135,209	13,430,277	30,565,486
Interest paid	132,449,712	0	132,449,712
Bulk purchases : water	2,738,869	0	2,738,869
Bulk purchases : Electricity	632,000,521	0	632,000,521
Contracted services	180,568,754	(28,295,223)	152,273,531
Inventory	38,322,172	14,863,593	53,185,765
Transfers and subsidies : operational	10,531,922	0	10,531,922
Operational cost	82,731,216	1,353	82,732,569
<b>Total Expenditure</b>	<b>1,878,535,834</b>	<b>(0)</b>	<b>1,878,535,834</b>



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>GAINS AND LOSSES</b>		
<i>Impairment losses on financial assets</i>	128,634,998	0
<i>Impairment losses on PPE, IA, &amp; HA</i>	27,983,597	0
<i>Gains/(losses) on disposal of PPE, IA, &amp; HA</i>	11,311,420	0
<i>Fair value adjustments Financial Assets</i>	4,228	0
<i>Fair value adjustments Investment Property</i>	(3,740,000)	0
<i>Gains/(losses) on Inventory</i>	(22,350)	0
<i>Gains from assets from non-exchange transactions</i>	(291,000)	0
	<b>163,880,893</b>	<b>0</b>
<b>Surplus / (Deficit) from continued operations</b>	<b>6,764,488</b>	<b>6,764,488</b>

	PREVIOUSLY REPORTED	RECLAS- SIFICATION	RECLASSIFIED AMOUNT
<b>ii) Adjustment of statement of financial position</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>5,874,329,753</b>	<b>(2,944,270)</b>	<b>5,871,385,482</b>
<i>Property, plant and equipment</i>	5,782,370,804	(2,944,270)	5,779,426,534
<i>Heritage assets</i>	41,223,700	0	41,223,700
<i>Intangible assets</i>	4,960,456	0	4,960,456
<i>Investment property</i>	44,390,000	0	44,390,000
<i>Non-current assets classified as held for sale</i>	0	0	0
<i>Non-current investments</i>	128,762	0	128,762
<i>Non-current receivables from exchange transactions</i>	1,256,030	0	1,256,030
<b>Current assets</b>	<b>643,243,173</b>	<b>4,820,042</b>	<b>648,063,215</b>
<i>Inventory</i>	21,664,791	2,944,270	24,609,061
<i>Trade and other receivables from exchange transactions</i>	253,463,027	3,248,109	256,711,136
<i>Receivables from non-exchange transactions</i>	90,209,102	(1,372,337)	88,836,765
<i>Current portion of long-term receivables</i>	329,048	0	329,048
<i>Cash and cash equivalents</i>	229,099,916	0	229,099,916
<i>VAT receivable</i>	48,477,288	0	48,477,288
<b>Total Assets</b>	<b>6,517,572,926</b>	<b>1,875,772</b>	<b>6,519,448,697</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>1,655,409,655</b>	<b>0</b>	<b>1,655,409,655</b>
<i>Borrowings</i>	1,333,295,041	0	1,333,295,041
<i>Non-current defined benefit obligations</i>	119,214,000	(119,214,000)	0
<i>Non-current provisions</i>	201,662,002	(35,846,000)	165,816,002
<i>Non-current employee benefits</i>	0	155,060,000	155,060,000
<i>Non-current finance lease liabilities</i>	1,238,612	0	1,238,612
<b>Current liabilities</b>	<b>679,423,412</b>	<b>1,875,771</b>	<b>681,299,183</b>
<i>Consumer deposits</i>	39,819,252	5,003,122	44,822,374
<i>Trade and other payables from exchange transactions</i>	352,841,277	(14,533,544)	338,307,733
<i>Unspent conditional grants and receipts</i>	84,051,261	(22,971,644)	61,079,617
<i>Current portion of non-current borrowings</i>	171,335,664	0	171,335,664
<i>Current portion of finance lease liabilities</i>	3,488,114	0	3,488,114
<i>Current portion of defined benefit obligations</i>	7,786,000	(7,786,000)	0
<i>Current portion of employee benefits</i>	0	62,265,681	62,265,681
<i>Current provisions</i>	20,101,844	(20,101,844)	0
<b>Total Net Assets</b>	<b>4,182,739,859</b>	<b>0</b>	<b>4,182,739,859</b>
<i>Housing development fund</i>	1,617,859,741	0	1,617,859,741
<i>Reserves and funds</i>	20,527,483	0	20,527,483
<i>Accumulated surplus / (deficit)</i>	2,544,352,635	0	2,544,352,635
<b>Total Net Assets and Liabilities</b>	<b>6,517,572,926</b>	<b>1,875,771</b>	<b>6,519,448,697</b>



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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	Restated 2018 R	
	PREVIOUSLY REPORTED	RECLAS- SIFICATION	RECLASSIFIED AMOUNT
iii) Adjustment of cash flow statement			
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Property Rates	241,880,363	0	241,880,363
Sale of goods and services	1,148,134,978	(158,939)	1,147,976,039
Grants received	317,827,859	(10,490,481)	307,337,378
Interest received	38,704,630	0	38,704,630
Dividends received	15,120	0	15,120
Other receipts and fines received	109,511,915	0	109,511,915
PAYMENTS			
Employee cost	(589,309,710)	12,952,351	(576,357,359)
Suppliers	(853,031,572)	(3,705,591)	(856,737,163)
Interest paid	(124,741,177)	0	(124,741,177)
VAT paid	(9,816,297)	0	(9,816,297)
NET CASH FROM OPERATING ACTIVITIES	279,176,109	(1,402,660)	277,773,449
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(657,160,116)	0	(657,160,116)
Purchase of Intangible assets	0	0	0
Purchase of Investment property	0	0	0
Proceeds on disposal of property, plant and equipment	0	0	0
Decrease/(Increase) in non-current receivables	911,165	0	911,165
Decrease/(Increase) in call investment deposits	0	0	0
(Decrease)/Increase in non current investment	0	0	0
NET CASH FROM INVESTING ACTIVITIES	(656,248,951)	0	(656,248,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) / Increase in long-term liabilities	314,142,342	0	314,142,342
Increase in consumer deposits	2,012,399	1,402,659	3,415,058
Increase/(Decrease) in Financial Lease Liability	737,495	0	737,495
NET CASH FROM FINANCING ACTIVITIES	316,892,236	1,402,659	318,294,895
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(60,180,606)	0	(60,180,606)
Cash and cash equivalents at the beginning of the year	289,280,521	0	289,280,521
Cash and cash equivalents at the end of the year	229,099,915	0	229,099,915

**iv) Detail notes affected by the reclassification**

**a) RECLASSIFICATION OF EMPLOYEE BENEFITS**

During the year the classifications of items on the Statement of Financial Performance was reviewed and reclassified as to group employee related liabilities together.

**Total of change  
in 2018**

<b>(Increase) / decrease in Trade and other payables from exchange transactions</b>	<b>34,377,837</b>
<i>Staff leave provision</i>	34,377,837
<b>(Increase) / decrease in Non-current Provisions</b>	<b>35,846,000</b>
<i>Long service awards</i>	35,846,000
<b>(Increase) / decrease in Current Provisions</b>	<b>20,101,844</b>
<i>Long service awards</i>	3,440,000
<i>Provision for bonuses</i>	15,233,132
<i>Provision for performance bonuses</i>	1,428,712
<b>(Increase) / decrease in Non-current Post employment benefits</b>	<b>119,214,000</b>
<i>Post Employment Health Care Benefits</i>	116,917,000
<i>Ex-Gratia Pension Benefits</i>	2,297,000
<b>(Increase) / decrease in Current Post employment benefits</b>	<b>7,786,000</b>
<i>Post Employment Health Care Benefits</i>	7,568,000
<i>Ex-Gratia Pension Benefits</i>	218,000

	2019 R	Restated 2018 R
<b>(Increase) / decrease in Non-current Employee benefits</b>		<b>(155,060,000)</b>
Post Employment Health Care Benefits		(116,917,000)
Ex-Gratia Pension Benefits		(2,297,000)
Long service awards		(35,846,000)
<b>(Increase) / decrease in Current Employee benefits</b>		<b>(62,265,681)</b>
Post Employment Health Care Benefits		(7,568,000)
Ex-Gratia Pension Benefits		(218,000)
Long service awards		(3,440,000)
Provision for bonuses		(15,233,132)
Provision for performance bonuses		(1,428,712)
Staff leave provision		(34,377,837)
<b>b) RECLASSIFICATION OF CONTRACTED SERVICES, INVENTORY, OPERATIONAL COST AND OPERATING LEASES</b>		<b>Total of change in 2018</b>
<i>During the year the classifications of items on the Statement of Financial Performance was reviewed and reclassified as errors were noted in the classifications of individual transactions .</i>		
<b>(Decrease) / increase in Inventory</b>		<b>14,863,593</b>
<b>(Decrease) / increase in Operating leases</b>		<b>13,430,277</b>
<b>(Decrease) / increase in Contracted Services</b>		<b>(28,295,223)</b>
Business and Advisory		(3,604,948)
Infrastructure and Planning		(17,605,405)
Catering Services		499,590
Maintenance of Buildings and Facilities		(3,768,554)
Maintenance of Equipment		(726,936)
Maintenance of Infrastructure and other assets (unspecified assets)		7,283,304
Safeguard and Security		(16,811)
Other contractors services		(5,848,199)
Other outsourced services		(4,507,264)
<b>(Decrease) / increase in Operational cost</b>		<b>1,353</b>
Advertising, Publicity and Marketing		16,410
Printing, Publications and Books		(7,100)
Uniform and Protective Clothing		(6,863)
Other Operational Expenditure		(1,094)
<b>c) RECLASSIFICATION OF TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS, RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS AND TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		<b>Total of change in 2018</b>
<i>During the year the classifications of items on the Statement of Financial Position was reviewed and reclassified as errors were noted in the classification.</i>		
<b>Increase / (decrease) Receivables from non-exchange transactions</b>		<b>(1,372,338)</b>
Recoverable Debtors		(11,874,306)
Other receivables from non-exchange transactions		4,445,489
Prepayments		6,056,479
<b>(Increase) / decrease in Trade and other payables from exchange transactions</b>		<b>(6,878,893)</b>
Other Creditors		(6,878,893)
<b>(Increase) / decrease in Consumer Deposits</b>		<b>5,003,122</b>
Consumer deposits		5,003,122
<b>Increase / (decrease) in Trade and other receivables from exchange transactions</b>		<b>3,248,109</b>
Recoverable Loans		(729,427)
Sporting Bodies		(66)
Sundries		(18,838,441)
Other receivables from exchange transactions		5,063,962
Sundry debtors		17,752,080



OTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	Restated 2018 R	
d) CHANGE IN ACCOUNTING POLICY: CLASSIFICATION OF LAND TO BE USED FOR BNG HOUSING AS INVENTORY			
In aligning the accounting policy with the housing guideline, the portions of land identified to be utilised for BNG housing projects are reclassified as Inventory.			
(Decrease) / Increase in PPE		(2,944,215)	
(Decrease) / Increase in Inventory		2,944,215	
e) RECLASSIFICATION OF UNSPENT CONDITIONS GRANTS TO TRADE PAYABLES			
During the year Guarantees and donations were reclassified to Trade and other payables from exchange transactions. After a review of the accounts, management decided to disclose it under Trade and other payables.			
(Decrease) / Increase in Unspent Conditional Grants		(22,971,644)	
Increase / (Decrease) in Trade and other payables from exchange transactions		22,971,644	
Payments Received in Advance			
b) Prior Period Adjustments			
i) Adjustment of statement of financial performance items	RECLASSIFIED AMOUNTS	ADJUSTMENTS	RESTATED AMOUNT
REVENUE			
Revenue from exchange transactions			
Service charges	1,292,300,481	(5,276,165)	1,287,024,316
Sale of Goods and Rendering of Services	10,924,234	0	10,924,234
Rental from Fixed Assets	30,473,307	0	30,473,307
Finance Income and Dividends	38,719,750	363,328	39,083,078
Operational Revenue (exchange)	3,695,012	0	3,695,012
Licences and permits	17,329,103	0	17,329,103
Revenue from non-exchange transactions			
Property rates	245,517,386	0	245,517,386
Surcharges and Taxes	1,453,967	0	1,453,967
Fines, Penalties and Forfeits	92,938,480	0	92,938,480
Transfers and Subsidies	308,004,189	(3,814,366)	304,189,823
Operational revenue ( non - exchange)	7,825,306	0	7,825,306
Total Revenue	2,049,181,217	(8,727,203)	2,040,454,012
EXPENDITURE			
Employee Related Costs	567,468,315	105,266	567,573,581
Councillor related costs	28,062,166	0	28,062,166
Depreciation and Amortisation	186,526,978	9,225,529	195,752,507
Operating Leases	30,565,486	115,886	30,681,372
Interest paid	132,449,712	0	132,449,712
Bulk purchases : Water	2,738,869	0	2,738,869
Bulk purchases : Electricity	632,000,521	0	632,000,521
Contracted services	152,273,531	5,632,616	157,906,148
Inventory	53,185,765	99,141	53,284,906
Transfers and subsidies : operational expenditure	10,531,922	0	10,531,922
Operational cost	82,732,569	699,045	83,431,614
Total Expenditure	1,878,535,834	15,877,483	1,894,413,317
GAINS AND LOSSES			
Impairment losses on financial assets	128,634,998	0	128,634,998
Impairment losses on PPE, IA, & HA	27,983,597	0	27,983,597
Gains /(losses) on disposal of PPE, IA, & HA	11,311,420	12,994,760	24,306,180
Fair value adjustments Financial Assets	4,228	0	4,228
Fair value adjustments Investment Property	(3,740,000)	0	(3,740,000)
Gains/(losses) on Inventory	(22,350)	0	(22,350)
Gains from assets from non-exchange transactions	(291,000)	0	(291,000)
	163,880,893	12,994,760	176,875,653
Surplus / (Deficit) from continued operations	6,764,489	(37,599,446)	(30,834,959)

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	Restated 2018 R	
	RECLASSIFIED AMOUNTS	ADJUSTMENTS	RESTATED AMOUNT
<b>(ii) Adjustment of opening balances</b>			
<b>NET ASSETS</b>			
<b>Accumulated Surplus 1 July 2017</b>	<b>2,501,877,482</b>	<b>443,928</b>	<b>2,502,321,410</b>
Adjustment to Unspent Conditional Grants		7,330,093	
Adjustment to debtor due to water adjustment		(2,965,543)	
Adjustment to receivables from non-exchange transactions		(262,836)	
Adjustment to retention		14,842,585	
Adjustment to Intangible assets		350,741	
Adjustment to payables		8,666,111	
Adjustment to Property, plant and equipment		(26,904,787)	
Adjustment to Standby allowance		(612,436)	
<b>Revaluation Reserve 1 July 2017</b>	<b>1,233,155,247</b>	<b>(46,544,943)</b>	<b>1,186,610,304</b>
Adjustment to Property, plant and equipment		(46,544,943)	
	RECLASSIFIED AMOUNTS	ADJUSTMENTS	RESTATED AMOUNT
<b>ASSETS AND LIABILITIES</b>			
Unspent conditional grants and receipts (Opening Balance 1 July 2017)	(50,604,266)	7,330,093	(43,274,173)
Trade and other receivables from exchange transaction (Opening Balance 1 July 2017)	206,388,360	(2,965,543)	203,422,817
Receivables from non-exchange transaction (Opening Balance 1 July 2017)	70,822,925	(262,836)	70,560,089
Property, plant and equipment (Opening Balance 1 July 2017)	4,905,285,710	(73,449,731)	4,831,835,979
Intangible assets (Opening Balance 1 July 2017)	6,464,251	350,740	6,814,991
Trade and other payables from exchange transactions (Opening Balance 1 July 2017)	(256,137,590)	22,896,260	(233,241,330)
<b>(iii) Adjustment of statement of financial position items</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>5,871,385,482</b>	<b>(125,517,867)</b>	<b>5,745,867,615</b>
Property, plant and equipment	5,779,426,534	(125,785,088)	5,653,641,446
Heritage assets	41,223,700	0	41,223,700
Intangible assets	4,960,456	267,221	5,227,677
Investment property	44,390,000	0	44,390,000
Non-current investments	128,762	0	128,762
Non-current receivables from exchange transactions	1,256,030	0	1,256,030
<b>Current assets</b>	<b>648,063,215</b>	<b>(8,068,101)</b>	<b>639,995,114</b>
Inventory	24,609,061	78,577	24,687,638
Trade and other receivables from exchange transactions	256,711,136	(7,878,380)	248,832,756
Receivables from non-exchange transactions	88,836,765	(262,836)	88,573,929
Current portion of long-term receivables	329,048	0	329,048
Cash and cash equivalents	229,099,916	0	229,099,916
VAT receivable	48,477,288	(5,462)	48,471,826
<b>Total Assets</b>	<b>6,519,448,697</b>	<b>(133,585,968)</b>	<b>6,385,862,729</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>1,655,409,655</b>	<b>0</b>	<b>1,655,409,655</b>
Borrowings	1,333,295,041	0	1,333,295,041
Non-current provisions	165,816,002	0	165,816,002
Non-current employee benefits	155,060,000	0	155,060,000
Non-current finance lease liability	1,238,612	0	1,238,612
<b>Current liabilities</b>	<b>681,299,183</b>	<b>(29,113,404)</b>	<b>652,185,779</b>
Consumer deposits	44,822,374	0	44,822,374
Trade and other payables from exchange transactions	338,307,733	(21,486,581)	316,821,152
Unspent conditional grants and receipts	61,079,617	(7,330,093)	53,749,523
Current portion of non-current borrowings	171,335,664	0	171,335,664
Current portion of finance lease liabilities	3,488,114	(296,730)	3,191,385
Current portion of employee benefits	62,265,681	0	62,265,681
Current provisions	0	0	0
<b>Total Net Assets</b>	<b>4,182,739,858</b>	<b>(104,472,564)</b>	<b>4,078,267,294</b>
Reserves and funds	1,617,859,741	(69,775,319)	1,548,084,422
Housing development fund	20,527,483	0	20,527,483
Accumulated surplus / (deficit)	2,544,352,634	(34,697,245)	2,509,655,389
<b>Total Net Assets and Liabilities</b>	<b>6,519,448,696</b>	<b>(133,585,968)</b>	<b>6,385,862,728</b>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
RECLASSIFIED AMOUNTS	ADJUSTMENTS	RESTATEMENT AMOUNT
<b>iii) Adjustment of cash flow statement</b>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>RECEIPTS</b>		
Property rates	241,880,363	241,880,363
Sale of goods and services	1,147,976,039	1,147,612,711
Grants received	307,337,378	307,337,378
Interest received	38,704,630	39,067,958
Dividends received	15,120	15,120
Other receipts and fines received	109,511,915	109,511,915
<b>PAYMENTS</b>		
Employee cost	(576,357,359)	(576,357,359)
Suppliers	(856,737,163)	(862,058,017)
Interest paid	(124,741,177)	(124,741,177)
VAT paid	(9,816,297)	(9,810,835)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>277,773,449</b>	<b>272,458,057</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and intangible assets	(657,160,116)	(651,721,214)
Proceeds on disposal of property, plant and equipment	0	173,220
Decrease/(Increase) in non-current receivables	911,165	911,165
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(656,248,951)</b>	<b>(650,636,829)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) / Increase in long-term liabilities	314,142,342	314,142,342
Increase in consumer deposits	3,415,058	3,415,058
Increase/(Decrease) in Financial Lease Liability	737,495	440,765
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>318,294,895</b>	<b>317,998,165</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(60,180,606)</b>	<b>(60,180,607)</b>
Cash and cash equivalents at the beginning of the year	<b>289,280,521</b>	<b>289,280,521</b>
Cash and cash equivalents at the end of the year	<b>229,099,915</b>	<b>229,099,915</b>

**(iv) Detail of individual items adjusted**

**a) INCORRECT ACCRUED FOR INTEREST RECEIVED**

During the year it was discovered that interest were not accrued for in the previous financial year. This was corrected accordingly.

**Total of change  
in 2018**

**(Increase) / decrease in Finance Income and Dividends**

Interest earned - external investments

**(363,328)**

**(363,328)**

**Increase / (decrease) in Trade and other receivables from exchange transactions**

Other receivables from exchange transactions

**363,328**

**363,328**

**Total of change  
in 2018**

**b) CORRECTION OF INVOICE PAYMENTS**

During the year it was discovered that invoices dated in 2017/18 were incorrectly paid in the 2018/19 financial year and other were cancelled. These were corrected accordingly.

**Increase / (decrease) in Operating Leases**

Operating leases

**115,886**

**115,886**

**Increase / (decrease) in Inventory Expenses**

Inventory Expenses

**177,718**

**177,718**



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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>Increase / (decrease) in Operating Cost</b>		<b>683,565</b>
Advertising, Publicity and Marketing		35,061
Communication		254,718
External Computer Service		391,605
Insurance Underwriting		474
Printing, Publications and Books		1,708
<b>Increase / (decrease) in Contracted Services</b>		<b>505,924</b>
Business and Advisory		219,608
Catering Services		12,500
Infrastructure and Planning		24,759
Maintenance of Buildings and Facilities		21,429
Maintenance of Equipment		45,878
Safeguard and Security		181,750
<b>(Increase) / decrease in Trade and other payables from exchange transactions</b>		<b>(1,477,632)</b>
Trade Creditors		(1,519,503)
Sundry Creditors		41,872
<b>(Increase) / decrease in VAT receivable</b>		<b>(5,462)</b>
<b>c) CORRECTION OF FINANCE LEASE LIABILITY</b>		<b>Total of change in 2018</b>
During the year it was discovered that a payment towards the finance lease liability was prepaid in the previous year. The error was subsequently corrected.		
<b>(Decrease) / increase in Contracted Services</b>		<b>(296,730)</b>
Maintenance of Buildings and Facilities		(296,730)
<b>Decrease / (increase) in Non-current finance lease liability</b>		<b>296,730</b>
Finance Leases		296,730
<b>d) CORRECTION OF UNSPENT CONDITIONAL GRANTS</b>		<b>Total of change in 2018</b>
During the year it was discovered that unspent conditional grant previously state as still being owed to parties should have been recognised as income prior to 1 July 2017. This was corrected accordingly.		
<b>(Increase) / decrease in Accumulated Surplus</b>		<b>7,330,093</b>
<b>(Decrease) / increase in Unspent conditional grants and receipts</b>		<b>(7,330,093)</b>
<b>e) WATER DEBTOR ADJUSTMENT</b>		<b>Total of change in 2018</b>
During the year a debtor's water account has been adjusted and the results are that prior year levies were affected. This was corrected accordingly.		
<b>Decrease / (increase) in Accumulated Surplus (Opening Balance 1 July 2017)</b>		<b>2,965,543</b>
<b>(Decrease) / increase in Trade and other receivables from exchange transactions (Opening Balance 1 July 2017)</b>		<b>(2,965,543)</b>
<b>Decrease / (increase) in Service charges</b>		<b>5,276,165</b>
Water		5,276,165
<b>(Decrease) / increase in Trade and other receivables from exchange transactions</b>		<b>(5,276,165)</b>
Water		(5,276,165)



AUDITOR-GENERAL  
SOUTH AFRICA

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K.A 30 November 2019

	2019 R	Restated 2018 R
<b>f) CORRECTION OF TRAFFIC FINES NOT PREVIOUSLY WITHDRAWN</b>		<b>Total of change in 2018</b>
<i>During the year it was discovered that traffic fines were withdrawn in the prior year, but the system provider had not effected the process due to a system error. The error was subsequently corrected.</i>		
<b>(Decrease) / increase in Receivables from non-exchange transactions (Opening Balance 1 July 2017)</b>		-
<i>Traffic fines debtors</i>		(2,996,235)
<i>Provision for doubtful fines</i>		2,996,235
<b>(Decrease) / increase in Receivables from non-exchange transactions</b>		-
<i>Traffic fines debtors</i>		(13,308,550)
<i>Provision for doubtful fines</i>		13,308,550
<b>g) PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CORRECTIONS DONE FOR THE YEAR</b>		<b>Total of change in 2018</b>
<i>During the year several errors on PPE and Intangible assets were corrected retrospectively. These corrections resulted mainly from reviewing of Work-in Progress which had been completed in prior periods and/or related to maintenance and not capital expenditure, the removal of properties which were not controlled by the municipality, as well as software programs which were not in use anymore.</i>		
<b>Decrease / (increase) in Accumulated Surplus (Opening Balance 1 July 2017)</b>		26,554,047
<b>(Decrease) / Increase in PPE (Opening Balance 1 July 2017)</b>		(73,449,731)
<b>Increase / (decrease) in Intangibles (Opening Balance 1 July 2017)</b>		350,740
<b>Decrease / (increase) in Revaluation reserve (Opening Balance 1 July)</b>		46,544,943
<b>(Increase) / decrease in Transfers and subsidies</b>		3,814,366
<i>Transfers and Subsidies</i>		3,814,366
<b>Increase / (decrease) in Depreciation and Amortisation</b>		9,225,529
<i>Depreciation and Amortisation</i>		9,225,529
<b>Increase / (decrease) in Contracted services</b>		5,423,422
<i>Water Supply</i>		1,084,952
<i>Road Transport</i>		208,690
<i>Electricity</i>		3,367,648
<i>Sanitation</i>		700,000
<i>Maintenance of Buildings and Facilities</i>		62,132
<b>Increase / (decrease) in Operational cost</b>		15,480
<i>External Computer Services</i>		15,480
<b>Decrease / (increase) in Gains/(Losses) on disposal of PPE, IA, IP &amp; HA</b>		13,167,980
<i>Gains/(Losses) on disposal of PPE, IA, IP &amp; HA</i>		13,167,980
<b>(Decrease) / increase in Property, Plant and Equipment</b>		(52,335,357)
<i>Property, Plant and Equipment</i>		(52,335,357)
<b>Decrease / (increase) in Intangibles</b>		(83,519)
<i>Intangible assets</i>		(83,519)
<b>Decrease / (increase) in Revaluation Reserve</b>		23,230,377
<i>Revaluation Reserve</i>		23,230,377
<b>Decrease / (increase) in Accumulated Surplus</b>		(2,458,277)





**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>h) CORRECTION OF SALE OF PPE</b>		<b>Total of change in 2018</b>
<i>During the year it was discovered that the amount received on the sale of certain PPE was not recognised as revenue although ownership has passed to the seller. This was corrected accordingly.</i>		
(Increase) / decrease in Accumulated Surplus (Opening balance 1 July 2017)		(8,666,111)
(Increase) / decrease in Trade and other payables from exchange transactions (Opening balance 1 July 2017)		8,666,111
<i>Payments received in advance</i>		8,666,111
Decrease / (increase) in Gains/(Losses) on disposal of PPE, IA, IP & HA		(173,220)
<i>Gains/(Losses) on disposal of PPE, IA, IP &amp; HA</i>		(173,220)
(Increase) / decrease in Trade and other payables from exchange transactions		173,220
<i>Payments received in advance</i>		173,220
<b>i) Repairs and Maintenance</b>	<b>PREVIOUSLY REPORTED</b>	<b>RESTATED AMOUNT</b>
Repairs and Maintenance, as disclosed for PPE in Note 11 (Property, plant and equipment), has been restated as incorrect classifications of transactions were noted.	<b>254,195,671</b>	<b>277,143,635</b>
<b>j) INCORRECT RECEIVABLES</b>		<b>Total of change in 2018</b>
<i>During the year it was discovered that receivables were incorrect in prior years. The error has been corrected</i>		
(Increase) / decrease in Accumulated Surplus (Opening balance 1 July 2017)		262,836
(Decrease) / increase in Receivables from non-exchange transactions (Opening Balance 1 July 2017)		(262,836)
		(262,836)
<b>k) CORRECTION OF RETENTION</b>		<b>Total of change in 2018</b>
<i>Allocation of retention identified and corrected for all completed maintenance related projects.</i>		
(Increase) / decrease in Accumulated Surplus (Opening balance 1 July 2017)		(14,842,585)
(Increase) / decrease in Trade and other payables from exchange transactions (Opening Balance 1 July 2017)		14,842,585
<b>l) CORRECTION OF INVENTORY</b>		<b>Total of change in 2018</b>
<i>During the year while reconciling the stores it was discovered that transactions were incorrectly integrated on the accounting system.</i>		
Increase / (decrease) in Inventory Expenses		(78,577)
<i>Inventotry Expenses</i>		(78,577)
Increase / (decrease) in Inventory		78,577
<b>n) STANDBY PROVISION CORRECTION</b>		<b>Total of change in 2018</b>
<i>During the year it was discovered that no accruals for standby allowance was made for payments paid in July for work performed in June each year. The correction was done retrospectively and are as follow:</i>		
Decrease / (increase) in Accumulated Surplus (Opening Balance 1 July 2017)		612,436
(Increase) / decrease in Trade and other payables from exchange transactions (Opening Balance 1 July 2017)		(612,436)
Increase / (decrease) in Employee Related Costs		105,266
<i>Standby Allowance</i>		105,266
(Increase) / decrease in Trade and other payables from exchange transactions		(105,266)

**2019**  
**R**

**Restated**  
**2018**  
**R**

**(v) Other disclosure adjustments**

**a) Financial Instruments**

Note 47, Financial instruments was restated as it was found to have contained errors in the prior year.

**b) Immaterial sub classes of income and expenditure**

Certain immaterial sub classes of Operational Revenue, Contracted services and Operational cost were grouped together as "other" under the respective notes.

**c) Additional disclosures in terms of the Supply Chain Management Regulations**

In note 45.1 and 45.2 additional awards to close family members were made, which was not disclosed in the prior year. All of the disclosure are as follow:

**- Deviation from, and ratification of minor breaches of, the Procurement Processes.**

	<b>Restated Disclosure</b>	<b>Previously Reported</b>
36 (1)(a) ii Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	13,545,974	12,934,652

**- Awards to close family members of persons in service of the state - SCM Regulation 45**

<b>Supplier Name</b>	<b>Employee Name</b>	<b>Relationship</b>	<b>Department</b>	<b>Restated Disclosure</b>	<b>Previously Reported</b>
<b><u>Awards to close family members of persons in the service of Drakenstein Municipality</u></b>					
Harold's Auto Repairs	B van Rooy	Child	Drakenstein Municipality: Engineering Services	471,870	0
EHH Building Construction	H Fredericks	Brother	Drakenstein Municipality	854,065	0
<b><u>Awards to close family members of persons in the service of other state departments and entities (not listed above)</u></b>					
TC Event Management (Pty) Ltd	L Johnson	Brother	South African Police Services	2,185,521	0
Conlog (Pty) Ltd	M Moodly	Spouse	Department of Health	495,350	-
				<b>4,006,806</b>	<b>0</b>

**42. OPERATING LEASE COMMITMENTS**

**Land and Buildings**

	<b>24,196,376</b>	<b>306,421</b>
Payable within one year	7,456,491	111,316
Payable within two to five years	16,739,885	195,105
Payable after more than five years	0	0
	<b>24,196,376</b>	<b>306,421</b>

The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 years and 4 months up to 9 years and 11 months being subject to increased lease payments.

All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 5.6% up to 8.5% (2018: 8.5%).

No other restrictions were imposed.

**Total commitments: Municipality as Lessee**

**24,196,376**      **306,421**

**The Municipality as Lessor**

At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.

Receivable within one year	666,068	507,923
Receivable within two to five years	1,145,466	469,429
Receivable after more than five years	125,712	32,717
	<b>1,937,246</b>	<b>1,010,069</b>

The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 up to 32 years (2018: 2 up to 32 years) being subject to increased lease payments.

All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 7.5% up to 12.32%.

No other restrictions were imposed.



AUDITOR-GENERAL  
SOUTH AFRICA

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K.A 30 November 2019

2019  
R

Restated  
2018  
R

**43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE DISALLOWED**

**43.1 UNAUTHORISED EXPENDITURE**

**43.1.1 Application of Sec (a) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget**

**Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure**

Opening balance	0	0
Unauthorised expenditure for financial year	0	0
Original Unauthorised expenditure reported	0	0
Restatement of expenditure due to change in accounting policy or correction of errors	0	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	<u>0</u>	<u>0</u>

The over expenditure incurred during the year is attributable to the following categories:

Non-cash	0	0
Cash	0	0
	<u>0</u>	<u>0</u>

**43.1.2 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Operating Budget**

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure**

**(Vote - GFS)**

Opening balance	994,744	0
Unauthorised expenditure for financial year (Aggregate of GFS Functions overspent)	12,117	0
Prior year transaction identified in the current financial year	23,285,287	994,744
Written off by Council	(994,744)	0
Unauthorised expenditure awaiting authorisation	<u>23,297,405</u>	<u>994,744</u>

Refer to appendix B3 for more detail

UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	2018 / 2019			
	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
COMMUNITY AND SOCIAL SERVICES	36,901,201	36,746,061	0	0
ENERGY SOURCES	928,545,463	910,226,893	0	0
ENVIRONMENTAL PROTECTION	1,312,024	1,312,023	0	0
EXECUTIVE AND COUNCIL	76,288,621	74,596,074	0	0
FINANCE AND ADMINISTRATION	264,248,689	259,026,644	0	0
HOUSING	150,478,078	106,719,838	0	0
INTERNAL AUDIT	3,525,815	3,277,503	0	0
PLANNING AND DEVELOPMENT	52,666,817	52,666,816	0	0
PUBLIC SAFETY	40,505,165	40,505,165	0	0
ROAD TRANSPORT	262,304,871	248,287,065	0	0
SPORT AND RECREATION	102,277,656	95,795,283	0	0
WASTE MANAGEMENT	132,495,644	126,899,828	0	0
WASTE WATER MANAGEMENT	177,365,956	172,333,283	0	0
WATER MANAGEMENT	142,625,180	142,637,297	(12,117)	0
	<u>2,371,541,180</u>	<u>2,271,029,772</u>	<u>(12,117)</u>	<u>0</u>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

			2019 R	Restated 2018 R
		2017 / 2018		
UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
EXECUTIVE AND COUNCIL	36,917,753	33,477,126	0	0
BUDGET AND TREASURY OFFICE	861,163,846	871,245,061	(10,081,215)	0
CORPORATE SERVICES	998,823	977,321	0	0
PLANNING AND ECONOMIC DEVELOPMENT	76,254,034	65,432,205	0	0
COMMUNITY AND SOCIAL SERVICES	248,195,347	243,634,570	0	0
HOUSING	125,952,819	84,354,547	0	0
PUBLIC SAFETY	3,787,579	2,817,068	0	0
SPORT AND RECREATION	29,361,955	28,042,567	0	0
WASTE MANAGEMENT	37,259,680	36,232,328	0	0
WASTE WATER MANAGEMENT	254,711,619	255,707,057	(995,438)	994,744
ROAD TRANSPORT	84,900,602	80,966,873	0	0
WATER	139,486,271	128,617,501	0	0
ELECTRICITY	143,326,131	155,534,765	(12,208,634)	0
ENVIRONMENTAL PROTECTION	129,526,212	128,900,031	0	0
	<b>2,171,842,671</b>	<b>2,115,939,020</b>	<b>(23,285,287)</b>	<b>994,744</b>

**43.1.3 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA -**

**Total Operating Budget**

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Department)**

Opening balance	0	0
Unauthorised expenditure for financial year (Aggregate of Departments overspent)	0	0
Prior year transaction identified in the current financial year	13,268,809	0
Written off by Council	0	0
<b>Unauthorised expenditure awaiting authorisation</b>	<b>13,268,809</b>	<b>0</b>

			2018 / 2019	
	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
UNAUTHORISED EXPENDITURE PER VOTE (DEPARTMENT)	R	R	R	R
COMMUNITY SERVICES	506,886,233	437,877,634	0	0
CORPORATE SERVICES	102,280,714	101,302,615	0	0
DEPARTMENT OF CHIEF AUDIT EXECUTIVE	3,525,815	3,277,503	0	0
DEPARTMENT OF COMMUNICATION	1,829,009	1,369,046	0	0
DEPARTMENT OF IDP & PMS	857,770	302,870	0	0
DEPARTMENT OF RISK & COMPLIANCE	2,302,872	2,266,758	0	0
ENGINEERING SERVICES	1,620,967,401	1,606,869,323	0	0
FINANCIAL SERVICES	74,959,171	62,626,066	0	0
OFFICE OF THE CITY MANAGER	(546,557)	(820,819)	0	0
PLANNING AND ECONOMIC DEVELOPMENT	58,478,752	55,958,777	0	0
	<b>2,371,541,180</b>	<b>2,271,029,772</b>	<b>0</b>	<b>0</b>

Refer to appendix B2 for more detail

			2017 / 2018	
	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
UNAUTHORISED EXPENDITURE PER VOTE (DEPARTMENT)	R	R	R	R
COMMUNITY SERVICES	310,204,912	303,386,695	0	0
CORPORATE SERVICES	125,068,966	138,337,775	(13,268,809)	0
DEPARTMENT OF CHIEF AUDIT EXECUTIVE	3,787,579	2,817,068	0	0
DEPARTMENT OF COMMUNICATION	2,555,918	1,573,931	0	0
DEPARTMENT OF IDP & PMS	1,605,269	1,178,669	0	0
DEPARTMENT OF RISK & COMPLIANCE	2,505,964	1,907,373	0	0
ENGINEERING SERVICES	1,472,515,462	1,460,594,196	0	0
FINANCIAL SERVICES	77,096,614	76,137,168	0	0
OFFICE OF THE CITY MANAGER	(231,158)	(239,539)	0	0
PLANNING AND ECONOMIC DEVELOPMENT	176,733,145	130,245,682	0	0
	<b>2,171,842,671</b>	<b>2,115,939,018</b>	<b>(13,268,809)</b>	<b>0</b>



2019  
R

Restated  
2018  
R

**43.1.4 Application of Sec (a) of the definition of Unauthorised expenditure in terms of the MFMA - Total Capital Budget**

**Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure**

**(Total Capital Budget)**

Opening balance	0	0
Unauthorised expenditure for financial year	8,749,147	0
Original Unauthorised expenditure reported	8,749,147	0
Restatement of expenditure due to change in accounting policy or correction of errors	0	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	<u>8,749,147</u>	<u>0</u>

The over expenditure incurred during the year is attributable to the following categories:

Non-cash	0	0
Cash		
- Parys Sub-Station fire	8,749,147	0
	<u>8,749,147</u>	<u>0</u>

**43.1.5 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Capital Budget**

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure**

**(Vote - GFS)**

Opening balance	0	0
Unauthorised expenditure for financial year (Aggregate of GFS Functions overspent)	18,764,268	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	<u>18,764,268</u>	<u>0</u>

Refer to appendix B3 for more detail

UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	2018 / 2019			
	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
COMMUNITY AND SOCIAL SERVICES	4,783,757	4,783,751	0	0
ENERGY SOURCES	136,439,399	155,203,667	(18,764,268)	0
ENVIRONMENTAL PROTECTION	0	0	0	0
EXECUTIVE AND COUNCIL	215,983	215,981	0	0
FINANCE AND ADMINISTRATION	36,134,912	36,093,352	0	0
HOUSING	48,691,561	38,737,059	0	0
INTERNAL AUDIT	59,506	59,506	0	0
PLANNING AND DEVELOPMENT	165,848	165,848	0	0
PUBLIC SAFETY	2,989,241	2,988,448	0	0
ROAD TRANSPORT	77,518,190	77,518,186	0	0
SPORT AND RECREATION	23,477,234	23,477,213	0	0
WASTE MANAGEMENT	3,086,792	3,086,791	0	0
WASTE WATER MANAGEMENT	56,164,521	56,164,519	0	0
WATER MANAGEMENT	174,039,217	174,039,211	0	0
	<u>563,766,161</u>	<u>572,533,531</u>	<u>(18,764,268)</u>	<u>0</u>
Authorised			(18,764,268)	
Unauthorised			0	
			<u>(18,764,268)</u>	



AUDITOR-GENERAL  
SOUTH AFRICA

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K.A 30 November 2019

			2019 R	Restated 2018 R
		2017 / 2018		
UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
COMMUNITY AND SOCIAL SERVICES	11,624,101	11,566,699	0	0
ENERGY SOURCES	145,772,200	145,641,968	0	0
ENVIRONMENTAL PROTECTION	0	0	0	0
EXECUTIVE AND COUNCIL	3,974,405	3,633,010	0	0
FINANCE AND ADMINISTRATION	50,930,990	50,336,317	0	0
HOUSING	30,708,952	30,708,351	0	0
INTERNAL AUDIT	10,068	10,068	0	0
PLANNING AND DEVELOPMENT	132,854	132,534	0	0
PUBLIC SAFETY	313,164	5,543	0	0
ROAD TRANSPORT	65,046,473	65,021,923	0	0
SPORT AND RECREATION	16,496,291	16,445,517	0	0
WASTE MANAGEMENT	107,580,297	107,563,292	0	0
WASTE WATER MANAGEMENT	206,337,906	206,320,268	0	0
WATER MANAGEMENT	15,751,296	15,592,655	0	0
	<b>654,678,997</b>	<b>652,978,145</b>	<b>0</b>	<b>0</b>
Authorised			0	
Unauthorised			0	
			<b>0</b>	

**43.1.6 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Capital Budget**

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Departments)**

Opening balance	0	0
Unauthorised expenditure for financial year	18,724,999	0
Written off by Council	0	0
<b>Unauthorised expenditure awaiting authorisation</b>	<b>18,724,999</b>	<b>0</b>

			2018 / 2019	
	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
UNAUTHORISED EXPENDITURE PER VOTE (DEPARTMENTS)	R	R	R	R
COMMUNITY SERVICES	86,538,845	76,581,263	0	0
CORPORATE SERVICES	7,896,509	7,896,498	0	0
DEPARTMENT OF CHIEF AUDIT EXECUTIVE	59,506	59,506	0	0
DEPARTMENT OF COMMUNICATION	24,773	24,773	0	0
DEPARTMENT OF IDP & PMS	0	0	0	0
DEPARTMENT OF RISK & COMPLIANCE	0	0	0	0
ENGINEERING SERVICES	467,041,401	485,766,400	(18,724,999)	0
FINANCIAL SERVICES	1,275,318	1,275,292	0	0
OFFICE OF THE CITY MANAGER	0	0	0	0
PLANNING AND ECONOMIC DEVELOPMENT	929,809	929,799	0	0
	<b>563,766,161</b>	<b>572,533,531</b>	<b>(18,724,999)</b>	<b>0</b>

Refer to appendix B4 for more detail



AUDITOR-GENERAL  
SOUTH AFRICA

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K.A 30 November 2019

	2019 R	Restated 2018 R
	2017 / 2018	
	BUDGET	AMOUNT WRITTEN OFF BY COUNCIL
UNAUTHORISED EXPENDITURE PER VOTE (DEPARTMENTS)	R	R
COMMUNITY SERVICES	32,835,472	0
CORPORATE SERVICES	14,506,397	0
DEPARTMENT OF CHIEF AUDIT EXECUTIVE	10,068	0
DEPARTMENT OF COMMUNICATION	46,715	0
DEPARTMENT OF IDP & PMS	0	0
DEPARTMENT OF RISK & COMPLIANCE	30,195	0
ENGINEERING SERVICES	571,189,669	0
FINANCIAL SERVICES	3,887,517	0
OFFICE OF THE CITY MANAGER	104,585	0
PLANNING AND ECONOMIC DEVELOPMENT	32,068,379	0
	<b>654,678,997</b>	<b>0</b>

#### 43.2 FRUITLESS AND WASTEFUL EXPENDITURE

<b>Opening Balance</b>	<b>1,863</b>	<b>1,863</b>
Fruitless expenditure current year	0	0
Payments received during the year	0	0
Approved by council	(1,863)	0
<b>Closing Balance</b>	<b>0</b>	<b>1,863</b>

Incident	Disciplinary steps/criminal proceedings		
Payment of interest to SARS	Additional tax was levied on the municipality as a result of an input vat claim on an invoice that was disallowed by SARS due to non-compliance to the VAT Act.	0	1,863
		<b>0</b>	<b>1,863</b>



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### 43.3 IRREGULAR EXPENDITURE

#### Opening Balance

Irregular expenditure current year

Payments received during the year

Approved by council

Irregular expenditure identified in the current year relating to prior years

#### Closing Balance

2019 R	Restated 2018 R
<b>39,619,202</b>	<b>11,593,900</b>
9,687,909	28,103,615
0	0
(47,854,766)	(78,313)
0	0
<b>1,452,345</b>	<b>39,619,202</b>

\* Council certified an amount of R46,299,919 (award amount) for CES 07/2015 and CES08/2018 as irrecoverable and to be written off.

Incident	Disciplinary steps/criminal proceedings/reasons for write-offs		
Service Provider in Service of the State	Transaction identified during the year, investigated and report submitted to Council. Amounts written off as recommended.	6,000	0
Expansion of contract CES 07/2015 (Upgrade and extension of the Wellington Waste Water Treatment Works to 16ML / day : Mechanical and Electrical Installation)	Investigated and report submitted to Council. Amounts written off as recommended.	2,074,945	7,581,229
Expansion of contract CES 08/2015 (Upgrade and extension of the Wellington Waste Water Treatment Works to 16ML / day : Civil Works)	Investigated and report submitted to Council. Amounts written off as recommended.	5,683,117	18,973,539
Deviation appointment of a consultant to render professional financial services.	Investigated and report submitted to Council. Amounts written off as recommended.	0	862,400
Deviation appointment of a service provider to perform a municipal security audit.	Investigated and report submitted to Council. Amounts written off as recommended.	0	175,000
The lowest quotation was not accepted. This resulted in non-compliance with paragraph 18(1)(f) of Council's Supply Chain Management Policy.	Investigated and report submitted to Council. Amounts written off as recommended.	0	12,246
Requirements for services were not dealt with as a single transaction. This resulted in non-compliance with Regulation 12(3) of the Municipal Supply Chain Management Regulations, 2005.	2018: Investigated and report submitted to Council. Amounts written off as recommended. 2019: To be investigated in terms of Council's Policy on Unauthorised, Irregular, Fruitless and Wasteful Expenditure.	477,886	292,000
Non-compliance to local production and content requirements in terms of Regulation 6 and 8 of the Preferential Procurement Regulations, 2017.	Investigated and report submitted to Council. Amounts written off as recommended.	0	162,000
The bidder's claim for B-BBEE points differed between their declaration and their sworn affidavit. The Auditor-General of SA determined that the declaration made by the supplier on the MBD 6 should be compared to the sworn affidavit or B-BBEE verified certificate to verify the declaration.	Investigated and report submitted to Council. Amounts written off as recommended.	0	45,201
Revised interpretation of the application of Regulation 32 of the Municipal Supply Chain Management Regulations as included in MFMA Circular No. 96 dated 24 July 2019.	To be investigated in terms of Council's Policy on Unauthorised, Irregular, Fruitless and Wasteful Expenditure.	1,445,962	0
		<b>9,687,909</b>	<b>28,103,615</b>

All above mentioned amounts exclude VAT.

Irregular Expenditure have been restated according to GRAP 3.

### 44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 44.1 Contributions to SALGA

Opening balance

Council subscriptions

Amount paid - current year

Amount paid - previous years

**Balance of advance payment (included in creditors)**

(4,377,820)	1,341,047
6,080,552	5,705,625
(6,810,931)	(11,424,492)
0	0
<b>(5,108,199)</b>	<b>(4,377,820)</b>



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>44.2 Audit fees</b>		
Opening balance	0	0
Current year audit fee	8,446,736	7,498,208
Amount paid - current year	(8,446,736)	(7,498,208)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b>44.3 VAT</b>		
VAT output payables and VAT input receivables are shown in Note 18. All VAT returns have been submitted by the due date throughout the year.		
<b>44.4 PAYE</b>		
Opening balance	0	0
Current year payroll deductions	83,143,228	68,988,348
Amount paid - current year	(83,143,228)	(68,988,348)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b>44.5 UIF</b>		
Opening balance	0	0
Current year payroll deductions	6,787,059	6,229,151
Amount paid - current year	(6,787,059)	(6,229,151)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b>44.6 Pension Deductions</b>		
Opening balance	0	0
Current year payroll deductions and council contributions	96,479,568	83,637,501
Amount paid - current year	(96,479,568)	(83,637,501)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b>44.7 Medical Aid Deductions</b>		
Opening balance	0	0
Current year payroll deductions and council contributions	38,210,684	33,313,547
Amount paid - current year	(38,210,684)	(33,313,547)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**44.8 Councillors arrear consumer accounts outstanding more than 90 days**

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 July 2018

	Outstanding more than 90 days R
CL NP/ZC MBENENE	4,758
	<b>4,758</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 August 2018

	Outstanding more than 90 days R
CL NP/ZC MBENENE	1,455
CL HJ KOTZE	77
	<b>1,532</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 September 2018

	Outstanding more than 90 days R
CL NP/ZC MBENENE	1,245
	<b>1,245</b>



	2019 R	Restated 2018 R
<b>The following Councillors had arrear accounts outstanding for more than 90 days as at 31 October 2018</b>		<b>Outstanding more than 90 days R</b>
CL P/A TC MANGENA		28
		<u>28</u>
<b>The following Councillors had arrear accounts outstanding for more than 90 days as at 30 November 2018</b>		<b>Outstanding more than 90 days R</b>
CL P/A TC MANGENA		28
		<u>28</u>
<b>The following Councillors had arrear accounts outstanding for more than 90 days as at 31 December 2018</b>		<b>Outstanding more than 90 days R</b>
CL ARA CUPIDO		4
		<u>4</u>
<b>The following Councillors had arrear accounts outstanding for more than 90 days as at 31 January 2019</b>		<b>Outstanding more than 90 days R</b>
CL DS BLANKENBERG		14,765
CL P/A TC MANGENA		1,234
		<u>15,999</u>
<b>The following Councillors had arrear accounts outstanding for more than 90 days as at 28 February 2019</b>		<b>Outstanding more than 90 days R</b>
CL P/A TC MANGENA		918
		<u>918</u>
<b>The following Councillors had arrear accounts outstanding for more than 90 days as at 31 March 2019</b>		<b>Outstanding more than 90 days R</b>
CL NP / ZC MBENENE		1,798
		<u>1,798</u>

**44.9 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

Non Compliance to the following sections of chapters of the MFMA :

CHAPTER	SECTION	SUB - SECTION
8	74	1



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**2019**  
**R**

**Restated**  
**2018**  
**R**

**45. ADDITIONAL DISCLOSURES IN TERMS OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS**

**45.1 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

**SCM**

**PARAGRAPH DESCRIPTION OF DEVIATION REFERENCE**

36 (1)(a) i	Dispense with the official procurement processes in an emergency	303,181	30,647,402
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	14,154,398	13,545,974
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	4,741,468	17,998,081
<b>Total Deviations</b>		<b>19,199,047</b>	<b>62,191,457</b>

**45.2 Awards to close family members of persons in service of the state - SCM Regulation 45**

Supplier Name	Employee Name	Relationship	Department		
<b><u>Awards to close family members of persons in the service of Drakenstein Municipality</u></b>					
Business Connexion	C van Der Bank	Spouse	Drakenstein Municipality: Planning & Development	8,061,338	5,602,688
D Uren Vibracrete	Z Naidoo	Child	Drakenstein Municipality: Finance	2,417,973	430,244
Wab Printmedia (Pty) Ltd	A Brink	Spouse	Drakenstein Municipality: Finance	93,916	42,912
Aurecon South Africa (Pty) Ltd	P W Pansegrouw	Spouse	Drakenstein Municipality: Engineering Services	24,638,003	34,547,056
Harold's Auto Repairs	B van Rooy	Child	Drakenstein Municipality: Engineering Services	811,592	471,870
JT Joubert T/A Mynhardt Joubert	I Engelmoor	Spouse	Drakenstein Municipality: Finance	18,872	0
Decco Suppliers And Distributors	J Abrahams	Parent	Drakenstein Municipality: Planning & Development	0	67,906
EHH Building Construction	H Fredericks	Brother	Drakenstein Municipality	626,184	854,065
Franthe Projects	M Davids	Parent	Drakenstein Municipality	6,300	0
<b><u>Awards to close family members of persons in the service of other state departments and entities (not listed above)</u></b>					
CSM Consulting Services (Pty) Ltd	A Van Collie	Child	Department of Environmental Affairs	2,984,478	4,610,803
LJ Projects and Events	C Jafta	Spouse	Department of Water Affairs	6,400	23,940
Mpumannazi Group CC	E R Bowers	Parent	Department of Health	-	33,468
VAT Guide Consulting CC	S Daniels	Spouse	South African Revenue Services	-	92,000
Mubesco Africa (PTY) Ltd	J Niehaus	Spouse	Northern Cape department of Health	1,028,543	0
NTC Cleaning and General Services (PTY) Ltd	L Mtirara	Spouse	Department Correctional Services	24,197	0
TC Event Management (Pty) Ltd	L Johnson	Brother	South African Police Services	168,725	2,185,521
Succido Enterprises	L Johnson	Spouse	Passenger Rail Agency of South Africa	152,996	0
Motheo Construction Group (Pty) Ltd	R Mantlhasi	Parent	Department of Home Affairs	26,522,450	0
Water Solutions South Africa (Pty) Ltd	G Luthili &	Spouse	Gauteng Department of Social Development	24,643	113,291
Humafield (Pty) Ltd	T Zwane	Spouse	Ekurhuleni Metro Municipality		
	N Kobeli	Spouse	South Africa Social Security Agency (SASSA)	911,432	0
Conlog (Pty) Ltd	M Moodly	Spouse	Department of Health	1,869,143	495,350
				<b>70,367,184</b>	<b>49,571,114</b>

	2019 R	Restated 2018 R
<b>46 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
- Approved and contracted for	132,264,113	348,311,454
Infrastructure *	121,903,536	271,868,108
Other *	10,360,577	76,443,346
Intangibles *	0	0
<b>Total</b>	<b>132,264,113</b>	<b>348,311,454</b>
* All capital commitments exclude VAT		

#### 47. FINANCIAL INSTRUMENTS

##### 47.1 Fair Value of Financial Instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow:

NOTE	2019		2018	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Fair Value</b>	<b>124,968</b>	<b>124,968</b>	<b>128,762</b>	<b>128,762</b>
Listed Investments	15	124,968	128,762	128,762
<b>Amortised cost</b>	<b>342,076,370</b>	<b>342,076,370</b>	<b>478,844,343</b>	<b>478,844,343</b>
Non-current receivables from exchange transactions	16	834,850	1,256,030	1,256,030
Trade and other receivables from exchange transactions	19	275,237,812	248,159,349	248,159,349
Current portion of non-current receivables	16	150,118	329,048	329,048
Cash and cash equivalents	21	65,853,590	229,099,916	229,099,916
<b>Total Financial Assets</b>	<b>342,201,337</b>	<b>342,201,337</b>	<b>478,973,105</b>	<b>478,973,105</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Amortised cost</b>				
Unsecured Bank Facilities:				
- Annuity Loans	5	1,446,315,652	1,333,295,042	1,333,295,042
- Finance leases	5	2,570,530	1,238,612	1,238,612
Trade and Other Payables:				
- Consumer Deposits	8	57,004,529	44,822,374	44,822,374
- Trade and Other Payables from exchange transactions	9	273,012,326	199,807,600	199,807,600
- Current Portion of Borrowings	5	184,388,046	171,335,664	171,335,664
- Current Portion of Finance leases	5	2,657,091	3,191,384	3,191,384
<b>Total Financial Liabilities</b>	<b>1,965,948,173</b>	<b>1,965,948,173</b>	<b>1,753,690,675</b>	<b>1,753,690,675</b>
<b>Total Financial Instruments</b>	<b>(1,623,746,836)</b>	<b>(1,623,746,836)</b>	<b>(1,274,717,570)</b>	<b>(1,274,717,570)</b>



The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The Annual Financial Statements include holdings in Listed Government Stock which are measured at Fair Value (Note 15). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follow:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2019**

	NOTE	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>					
<b>Financial Instruments at Fair Value:</b>					
Listed Investments	15	124,968	0	0	124,968
<b>Total Financial Assets</b>		<b>124,968</b>	<b>0</b>	<b>0</b>	<b>124,968</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Financial Instruments at Fair Value:</b>					
Other Loans		0	0	0	0
<b>Total Financial Liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>		<b>124,968</b>	<b>0</b>	<b>0</b>	<b>124,968</b>



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SOUTH AFRICA

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K.A 30 November 2019

				2019 R	Restated 2018 R
<b>30 June 2018</b>					
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>FINANCIAL ASSETS</b>					
<b>Financial Instruments at Fair Value:</b>					
Listed Investments	15	128,762	0	0	128,762
<b>Total Financial Assets</b>		<b>128,762</b>	<b>0</b>	<b>0</b>	<b>128,762</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Financial Instruments at Fair Value:</b>					
Other Loans		0	0	0	0
<b>Total Financial Liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>		<b>128,762</b>	<b>0</b>	<b>0</b>	<b>128,762</b>

#### **47.2 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Borrowings disclosed in Note 5; Cash and Cash Equivalents disclosed in Note 21; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 to 4 and the Statement of Changes in Net Assets.

#### **47.3 Financial Risk Management Objectives**

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit and Risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### **47.4 Significant Accounting Policies**

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

#### **47.5 Market risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.6 below). No formal policy exists to hedge volatilities in the interest rate market.

#### **47.6 Interest Rate Risk**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans. Similarly with financial assets, the Municipality invests its surplus funds on fixed interest rate deposits with banks for fixed terms not exceeding one year.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**2019**  
R

**Restated**  
**2018**  
R

#### 47.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The Municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the Municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

#### 30 June 2019

Maturity analysis	Within 1 year	2 to 5 years	5 years +	Total
Annuity Loans	346,965,300	1,497,340,151	556,536,834	2,400,842,285
Finance	3,027,669	2,807,932	0	5,835,601
Payables from exchange transaction	273,012,326	0	0	273,012,326
	<b>623,005,295</b>	<b>1,500,148,082</b>	<b>556,536,834</b>	<b>2,679,690,211</b>

#### 30 June 2018 (Restated)

Maturity analysis	Within 1 year	2 to 5 years	5 years +	Total
Annuity Loans	320,062,081	1,019,523,555	816,619,973	2,156,205,609
Finance	3,436,732	1,325,827	0	4,762,559
Payables from exchange transaction	199,807,600	0	0	199,807,600
	<b>523,306,413</b>	<b>1,020,849,382</b>	<b>816,619,973</b>	<b>2,360,775,768</b>

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

#### 47.8 Credit Risk Management

*Credit risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The Municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the Municipality's credit control and debt collection policy. The Municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 19 to the financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	NOTE		
Investments	15	124,968	128,762
Long-term Receivables	16	984,968	1,585,078
Trade and other receivables from exchange transactions	19	275,237,812	248,159,349
Bank and Cash Balances	21	65,853,590	229,099,916
<b>Maximum Credit and Interest Risk Exposure</b>		<b>342,201,338</b>	<b>478,973,105</b>

#### 47.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 48. PUBLIC PRIVATE PARTNERSHIPS

#### Waste to Energy (WtE)

In prior years the Municipality started with a Public Private Partnership process with a private party, Interwaste, to establish a proposed WtE Facility with the objective of pursuing an alternative integrated waste management solution other than landfilling. On 31 May 2018 the Council of the Drakenstein Municipality took the decision to terminate the proposed Wellington WtE project.



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K.A 30 November 2019

#### **49. RELATED PARTY TRANSACTIONS**

##### *Transactions with Key Management Personnel and Councillors:*

Compensation made to Key Management Personnel and Councillors is disclosed in note 30 above.

Consumer services rendered to Key Management Personnel amount to R 79,417 (2018: R 55,870).

Outstanding balances on Key Management Personnel's consumer accounts at 30 June 2019 (Current Accounts) amount to R0 (2018: R 0).

Consumer services rendered to Councillors amount to R 1,269,763 (2018: R 1,140,474).

Outstanding balances on Councillors' consumer accounts at 30 June 2019 amount to R77,258 (2018: R92,164).

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councillors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in IPSAS 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes in terms of Supply Chain Management Regulations 46, awards to close family members of persons in the service of the state are disclosed in note 46.2.

#### **50. RETIREMENT BENEFIT INFORMATION**

The Municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R96,479,569 (2018: R83,637,501) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

##### **a) LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)**

The **LA RETIREMENT FUND** operates both as a defined benefit and defined contribution scheme.

##### **Defined Benefit Scheme**

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1,776,181,000 (30 June 2017 : R1,859,077,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

##### **Defined Contribution Scheme**

The actuarial valuation report at 30 June 2018 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R2,018,237,000 (30 June 2017 : R1,911,937,000), net investment reserve of R0 (30 June 2017 : R0) and with a funding level of 100% (2017 : 100%).

The actuary concluded that :

- The Pensioner account has a funding level of 103.7% with a surplus of R63.4 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R63.4 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 101.7% with a surplus of R63.0 million.
- The DC Section has a funding level of 100% and is in a sound Financial condition.
- Overall the fund is in a sound financial condition with a surplus of R63.0 million and the overall funding level of 101.7%.

The Trustees awarded a 3.22% pension increase effective 1 January 2019.





It is to be noted that :

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The last statutory valuation performed as at 30 June 2018 revealed that the net assets of the fund amounted to R24,108,000,000 (30 June 2017: R21,417,000,000 ). The members share account and processing reserve account had assets amounting to R23,318,184,000 (2017: R20,643,329,000), and the pensions account had assets amounting to R651,455,000 (2017: R652,773,000) with funding levels of 100% and 100.4% (30 June 2017 127.3% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2018 & 2017. The contribution rate paid by the members (7.50%) and the municipalities (7.50%/19.50%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

#### **b) CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT (PREVIOUSLY CAPE JOINT RETIREMENT FUND)**

The last statutory valuation performed as at 30 June 2018 revealed that the net assets of the fund amounted to R24,108,000,000 (30 June 2017: R21,417,000,000 ). The members share account and processing reserve account had assets amounting to R23,318,184,000 (2017: R20,643,329,000), and the pensions account had assets amounting to R651,455,000 (2017: R652,773,000) with funding levels of 100% and 100.4% (30 June 2017 127.3% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2018 & 2017. The contribution rate paid by the members (7.50%) and the municipalities (7.50%/19.50%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

#### **c) SALA PENSION FUND**

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298,600.00 (30 June 2015 : R13,231,200.00), with funding levels of 96.0% (30 June 2015: 100%). Recommended that employers continue to contribute at the current rate of 19.18% of pensioners salaries.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

#### **d) MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The last statutory valuation was performed as at 30 June 2015 and revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.



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**e) NATIONAL FUND FOR MUNICIPAL WORKERS**

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R9,031,759,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

**f) THE MUNICIPAL WORKERS RETIREMENT FUND ( PREVIOUSLY SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND)**

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

**51. CONTINGENCIES**

**Contingent Liabilities**

***Paarl Print (Pty) Ltd - Destruction of property***

Claim for damages

A fire destroyed the Paarl Print property erf 25867, Paarl during September 2009. As a result of this incident, the applicant during March 2012 lodged a claim against the Municipality to the amount of R448,819,503.79. Claim was referred to Council's insurers and notice of intention to defend was lodged by the insurer's legal representatives. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

<b>448,819,504</b>	<b>448,819,504</b>
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***A Maans - Paarl Print***

Claim for damages

The Municipality was sued by the spouse of an employee of Paarl Print who was killed during the Paarl Print fire (refer above). The action was withdrawn and considered finalised.

<b>0</b>	<b>2,000,000</b>
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***D Theys, OL Veroni & H Carolissen - Damages***

The plaintiffs are claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D Theys, OL Veroni and HL Carolissen have now been consolidated into one case.

<b>416,000</b>	<b>416,000</b>
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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>M &amp; T De Villiers - Damages</b>	<b>351,639</b>	<b>351,639</b>
The matter has been referred to our internal insurer department on 14/12/2015. Attorney firm Visagie Vos has been appointed to act on behalf of Drakenstein Municipality's Insurer. Notice of intention to Defend has been filed and the exchange of pleadings has been finalised. It is now for the Plaintiff to apply for a trial date and the waiting period for such a date is approximately 18 months. Waiting or the plaintiff to set the matter down for hearing. It should be noted that the estimated financial exposure belongs to the insurer and not the Municipality per se.		
<b>Drakenstein Municipality - Distell Ltd</b>	<b>0</b>	<b>113,651</b>
The plaintiff claims for the amount of R113 650.50 due to payment that was erroneously made on Municipal account. Notice of intention to defend filed at court 27/11/2015. Van der Sluys Builders was joined as a third party. Matter has been settled.		
<b>J Abrahams</b>	<b>0</b>	<b>162,785</b>
Claim for unfair dismissal by a former employee, Mr Abrahams. Case was dismissed, but employee has appealed and requested his job back.		
<b>N Muller</b>	<b>0</b>	<b>990,713</b>
Claim for unfair dismissal by a former employee, Mr N Muller, who was dismissed in December 2017. Case has been settled.		
<b>M Siebert</b>	<b>9,141</b>	<b>9,141</b>
The plaintiff, M Siebert is claiming from the Municipality for damages following a collision. The matter is being referred to the internal insurance department.		
<b>W Swanepoel</b>	<b>23,147</b>	<b>23,147</b>
The plaintiff, W Swanepoel is claiming from the Municipality for damages after driving through a pothole. The matter is being referred to the Municipality's insurers.		
<b>S Hendricks obo R Hendricks</b>	<b>2,736,000</b>	<b>2,736,000</b>
The plaintiff claiming on behalf of her son for general damages; for pain and suffering, loss of amenities of life, disability, and disfigurement and shock. The Municipality is the second respondent.		
<b>Wellington Association Against The Incinerator</b>	<b>100,000</b>	<b>100,000</b>
Alleged no-compliance to legislation and requested an order to set project aside. Matters are being kept in abeyance pending settlement negotiations. Exposure is represented by estimated legal costs and disbursements that the Municipality may be liable for. Matter is dormant.		
<b>Visserhok Investment (PTY)LTD; Wilcrest Construction (PTY)LTD</b>	<b>0</b>	<b>100,000</b>
The plaintiff, sought order to the effect that the matter is urgent, that the Municipality be ordered to approve the building plans of various erven, a written undertaking by the MM is given that henceforth compliance with Section 7 of the Act will be had and that the Municipality is to bear the cost of the application on an attorney and own client scale. Matter has been settled.		
<b>Riaan Nieuwoudt</b>	<b>0</b>	<b>102,692</b>
The plaintiff, The plaintiff claim is for general damages; after the Plaintiff stepped into an uncovered storm water drain and the Plaintiff fell into a manhole. Matter finalised.		
<b>Dirk du Toit</b>	<b>32,424</b>	<b>0</b>
The plaintiff claim is for general damages occurred by a storm water drain.		
<b>Francois Levens</b>	<b>500,000</b>	<b>0</b>
The plaintiff claim is for general damages; after the plaintiff was wrongfully and unlawfully assaulted and robbed. Matter referred to internal insurance department.		
<b>Wilma Quinn</b>	<b>200,000</b>	<b>0</b>
The plaintiff claim is for general damages occurred by a burst water pipe on her property. Matter referred to internal insurance department.		

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	Restated 2018 R
<b>Morne van Rooi</b>	<b>17,799</b>	<b>0</b>
The plaintiff, The plaintiff claim is for general damages; after collision by the Plaintiff and a vehicle of the Municipality. Matter referred to the internal insurance department.		
<b>Karin Smidt</b>	<b>151,690</b>	<b>0</b>
The plaintiff, The plaintiff claim is for general damages; after a fall by the Plaintiff on a pavement. Matter referred to the internal insurance department		
<b>M Manus</b>	<b>37,128</b>	<b>0</b>
Risk adverse cost order has been issued against the Municipality after the defendant defaulted on their municipal bill, brought an order to have the services reconnected, which was then contested by the Municipality. The Municipality is laible for the defendants legal costs, but will at the same time begin a debt recovery process on the defendant for the outstanding Municipal services account.		
<b>Contingent Assets</b>		
<b>WK Construction (Pty) Ltd, Neil Lyners &amp; Associates CC</b>	<b>0</b>	<b>2,900,047</b>
Claim for damages to a bridge due to negligence from the defendant for the Construction of a bulk sewer at Southern Paarl. The Defendants suggested that the parties investigate a possible settlement and by implication conceded the merits. Matter has been settled.		
<b>Neil Lyners &amp; Associates CC</b>	<b>300,000</b>	<b>4,081,208</b>
Claim for damages during installation of Civil Infrastructure services under contract CES9/2011 Siyahlala. Formal letter of demand was served on the Respondent dated 22/07/2015. Summons was issued. Awaiting a date to appear before a supervising Judge to prepare for trial. Matter still in progress.		
<b>Insurance Claim - Parys Substation fire</b>	<b>24,394,037</b>	<b>0</b>
A dispute with the insured underwriter with regards to the amount of the insurance claim to be paid out by the insurance company, and the uncertainty on the claim amount to be paid out, no provision could be made in the 2018/19 Capital Adjustment Budget in February 2019.		
<b>Veolia Water Solutions and Technologies South Africa (Pty) Ltd</b>	<b>1,900,000</b>	<b>0</b>
Claim for penalties to be imposed due to the delay in the completion of the Welvanpas Reservoir.		

**52. BIOLOGICAL ASSETS**

The Municipality has various species of Proteacea growing on the Paarlberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the Nature Conservation Act 19 of 1974 a special permit must be obtained to harvest any seeds produced by these plants. These plant grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as theses plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 27, Agriculture. An assessment will be made once GRAP 110, Living and Non-living Resources, become effective as to the applicability thereof on these assets.

	2019 R	Restated 2018 R
<b>53. DISTRIBUTION LOSSES</b>		
<b>WATER</b>		
<b>Reconciliation of water losses</b>		
Kilolitres bought	10,428,832	10,258,258
Kilolitres sold	8,836,669	8,731,928
Total kilolitres lost - technical and non-technical	<b>1,592,163</b>	<b>1,526,330</b>
Kilolitres lost - Technical	1,377,669	1,452,342
Kilolitres lost - Non technical	214,494	73,988
Average value of losses (cost)	<b>657,462</b>	<b>407,517</b>
Percentage of losses *	<b>15.27%</b>	<b>14.88%</b>
- Technical	13.21%	14.16%
- Non-technical	2.06%	0.72%
Norm of losses	<b>15.00%</b>	<b>15.00%</b>

**Reasons for losses:**

Burst pipes  
 Use of unmetered fire water connections at flat buildings and factories.  
 Open spaces & sports fields that are still unmetered  
 Undetected leaks underground  
 Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

\*The water losses per the Annual Financial Statements takes into account water that was metered but not billed. Whereas the Annual Performance Report shows an actual technical water loss of 13.21% (2018: 14.16%), as unbilled metered water is not taken into account.

**ELECTRICITY**

**Reconciliation of KWh losses**

KWh units bought	728,501,883	720,083,263
KWh units sold	688,291,696	672,402,760
KWh units lost (Technical and Non-technical)	<b>40,210,187</b>	<b>47,680,503</b>
Average value of losses (cost)	<b>37,185,778</b>	<b>41,848,081</b>
Percentage of losses	5.52%	6.62%
Norm of losses	10.00%	10.00%

**Reasons for losses:**

Technical losses  
 Unmetered services  
 Theft

**54. REPORTING AGAINST THE FRAMEWORK FOR SCHEDULE 4 OF DORA ALLOCATIONS**

Submit project registrations and detail project implementation plans before the prescribed due dates.  
 Department of Provincial and Local Government is monitoring the overall programme implementation.

**55. REGISTERED MIG PROGRAMMES FOR THE 2018/2019 FINANCIAL YEAR**

	Received	Expenditure	Closing Balance
Upgrading of Mbekweni B and C Sports Fields	6,831,538	6,831,538	0
Replacement of Strawberry King bulk water	16,277,356	16,277,356	0
Replacement of Saron bulk water	6,877,193	6,877,192	1
	<b>29,986,087</b>	<b>29,986,086</b>	<b>1</b>

**REGISTERED MIG PROGRAMMES FOR THE 2017/2018 FINANCIAL YEAR**

	Received	Expenditure	Closing Balance
Upgrading of Mbekweni B and C Sports Fields	4,645,888	4,645,888	0
Replacement of Strawberry King bulk water	9,271,930	9,271,930	0
11 ML Newton Reservoirs	10,068,724	10,068,724	0
Welvanpas WTW & Outbuildings	8,186,325	8,186,325	0
Wellington WWTW: rehabilitation & extent	9,210,279	9,210,279	0
Street Lighting: Wellington	367,692	367,692	0
PMU	1,000,001	1,000,001	0
	<b>42,750,839</b>	<b>42,750,839</b>	<b>0</b>

**56. NON-ADJUSTING EVENTS AFTER REPORTING DATE**

The Dal-Wes 11kV switchgear and part of the feeder cable from the Dalweiding Substation was damaged by a fire on Sunday, 28 July 2019. The estimated damage amounts to R10,000,000. A claim has been submitted to the municipality's insurers and the claim is in the process of being assessed. Should the claim not be approved, the municipality will be responsible for the cost of repair.

Drakenstein Municipality is in the process of refinancing existing 10 year loans by extending the repayment terms.



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**57. RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

**Net surplus/(deficit) per the statement of financial performance**

**(43,793,258)**

*Basis Differences*

**Revenue By Source**

Property rates	-
Property rates - penalties & collection charges (Surcharges and Taxes*)	1,339,281
Service charges - electricity revenue	(992,910,171)
Service charges - water revenue	(167,819,936)
Service charges - sanitation revenue	(95,320,698)
Service charges - refuse revenue	(101,138,835)
Service charges - other	-
<i>Service Charges *</i>	1,332,489,665
Rental of facilities and equipment (Rental of Fixed Assets*)	24,740,523
Interest earned - external investments	(14,223,574)
Interest earned - outstanding debtors	(10,902,171)
Fair value adjustments Financial Assets	-
<i>Finance income and Dividends*</i>	23,798,567
Licences and permits	14,180,071
Fines	-
Agency services	-
Transfers recognised - operational / (Transfers and Subsidies*)	162,693,344
Other revenue (Operational Revenue (Exchange)*)	(30,234,273)
<i>Operational Revenue (Non - Exchange)*</i>	14,369,654
<i>Sale of Goods and Rendering of Services*</i>	16,001,550
Inventory Surpluses	-
Gains on disposal of PPE	(38,005,786)
<i>Fair value adjustments Investment Property*</i>	1,950,000
<i>Gains from assets from non exchange transactions *</i>	(1,938,761)

**Total Revenue (excluding capital transfers and contributions)**

**139,068,451**

**Expenditure By Type**

Employee related costs	(2,935,787)
Remuneration of councillors (Councillor Related Cost *)	-
Collection cost	-
Debt impairment	105,608,249
Impairment losses on financial assets	(105,608,249)
Depreciation & asset impairment (Depreciation and Amortisation *)	-
Impairment Losses	(1,006,785)
Finance charges (Interest paid *)	-
Bulk purchases	678,014,058
<i>Bulk Purchases : Electricity *</i>	(673,707,616)
<i>Bulk Purchases : Water*</i>	(4,306,442)
Contracted services	(3,273,785)
Transfers and grants (Transfers and Subsidies : Operational Exp*)	(122,821)
Other expenditure (Operational Expenditure*)	41,440,564
<i>Inventory consumed*</i>	-
<i>Operating Leases*</i>	(31,688,152)
Loss on disposal of PPE (Gains /(losses) on disposal of PPE, IA, IP & HA*)	10,988,574
Gains(losses) on inventory	(2,306,042)
<i>Fair value adjustments Financial Assets*</i>	(3,795)

**Total Expenditure**

**11,091,973**

**Surplus/(Deficit)**

Transfers recognised - capital	(150,160,424)
Contributions recognised - capital	
Contributed assets	

**Surplus/(Deficit) after capital transfers & contributions**

**(43,793,258)**

*Timing differences*

-

*Entity differences*

-

**Net surplus/deficit per statement of budget comparison**

**(43,793,258)**

Budget basis differences mainly relate to Revenue from Housing Grants and the related Housing operating expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounting to R 813,097. The mSCOA tables and the format of the Budget Schedules as issued by National Treasury are not yet fully aligned to the Standards of GRAP and this is therefore the reason for the disparity in classifications between the 2018/19 Budget and GRAP Annual Financial Statements.

\* - *Statement of Financial Performance classifications*



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## **58. BUDGET INFORMATION**

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget regulations as well as MFMA Budget circulars. In accordance with the Municipal Budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

### **58.1 Explanation of variances between approved and final budget amounts**

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Drakenstein Municipality as approved by Council.

### **58.2 Explanation of variances greater than 10%: Final Budget and Actual amounts**

#### **58.2.1. Statement of financial position**

##### i) Current Assets

- *Inventories*  
Capital spares as identified is excluded from *Inventories*.
- *Receivables from non-exchange*  
Budget included under *Other Debtors*.
- *Other Debtors*  
Budget includes provision for *Receivables from non-exchange*
- *Cash and cash equivalents*  
Decreased cash and cash equivalents due to capital spending.
- *Current Portion of Long-term Receivables*  
Actual was less than anticipated due to increase in impairment in the previous financial year.

##### ii) Non-Current Assets

- *Intangible Assets*  
Impact of disposal and impairment of assets.
- *Investment Property*  
Impact of disposal of assets.
- *Heritage Assets*  
No separate line item on budget schedules. Budget was included under *Other Non-current Assets*.
- *Other Non-current Assets*  
Budget for Heritage Assets included in this line item.
- *Long-term Receivables*  
Impact of impairment on actual long-term receivables.

##### iii) Current Liabilities

- *Consumer Deposits*  
During the period under review the actuals were more than estimated.
- *Provisions*  
Actual included under Retirement Benefit Liabilities and Finance Lease Liability. Increased employee related provisions due
- *Payables*  
No line item for *Retirement Benefit Liabilities and Finance Lease Liability* on the regulated budget schedules.
- *Unspent Conditional Grants*  
No line item for the above on the regulated budget schedules.
- *Current portion of Retirement Benefit Liabilities*  
No line item for the above on the regulated budget schedules.
- *Current portion of Finance Leases*  
No line item for the above on the regulated budget schedules.

##### iv) Non-current Liabilities

- *Retirement Benefit Liabilities*  
No line item for the above on the regulated budget schedules. Budget was included under "Non current provisions".
- *Non-current Provisions*  
No line item for *Retirement Benefit Liabilities and Finance Lease Liability* on the regulated budget schedules. Budget was included under the above.
- *Finance lease liability*  
No line item for the above on the regulated budget schedules. Budget was included under "Non current provisions".

v) Net Assets

- *Statutory Funds*  
No line item for the above on the regulated budget schedules. Budget was included under "Reserves".
- *Reserves*  
All "internal" reserves, which forms part of the Accumulated Surplus, were incorrectly included in the above budget.
- *Accumulated Surplus / (Deficit)*  
All "internal" reserves, which forms part of the Accumulated Surplus, were incorrectly included in the budget for "Reserves".

**58.2.2. Statement of financial performance**

i) Revenue from Non-exchange Transactions

- *Fines*  
Additional information acquired throughout the year ended in a change in estimate.
- *Licences and Permits*  
The projection was based on the prior periods collection. Less licences were issued than anticipated.
- *Transfers recognised - Operational*  
Underspending on the allocation from Department of Human Settlements due to various reasons.

ii) Revenue from Exchange Transactions

- *Rental of facilities and equipment*  
Increased billing throughout the year.
- *Interest earned - External Investments*  
Increase in investment portfolio resulted in more interest received.
- *Other Income*
- *Gains on disposal of Property, Plant and Equipment*  
Amount or impact of possible gains could not be estimated at time of budget compilation.

iii) Expenditure

- *Contracted Services*  
Underspending on the allocation from Department of Human Settlements due to delays in approved projects.
- *Impairment of Financial Assets*  
Decrease in fines issued resulted in a decreased contribution for debt impairment.
- *Loss on Disposal of Property Plant and Equipment*  
Amount or impact of possible losses could not be accurately estimated at time of budget compilation.

**59. GOING CONCERN**

In terms of the accounting standard GRAP 1, paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality has a constitutional mandate to levy property rates and service charges to enable the municipality to be considered as a going concern even though the municipality will be operational over the short to medium term in a state where liquidity will be under pressure.

To improve liquidity, the municipality has introduced a revenue management, expenditure management and cost containment programme including an exercise to restructure existing long-term external loans. The municipality has made substantial investments in revenue generating infrastructure over the past five years that created capacity for development and growth. The municipality do have a stable and growing revenue base, although slower than projected five years ago.

The municipality has not defaulted on payment of creditors. By sustaining a revenue collection rate above 95%, the municipality do have the ability to operate as a going concern and to continue rendering services to its community.



**APPENDIX A**  
**DRAKENSTEIN MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 30 June 2018	Received during the period	Capitalised during the period	Redeemed/ written off during the period	Balance at 30 June 2019
				R	R	R	R	R
<b>ANNUITY AND OTHER LOANS</b>								
DBSA	11.47%	103485/4	2019	7,761,136	0	0	7,761,134	2
DBSA	6.75%	103485/5	2019	1,615,709	0	0	1,615,716	(7)
DBSA	10.026%	12007834	2024	64,210,091	0	0	8,283,363	55,926,728
DBSA	10.820%	12007999	2025	242,943,155	0	0	22,504,357	220,438,799
DBSA	9.970%	12008099	2028	120,000,000	0	0	7,472,017	112,527,983
DBSA	9.791%	12008099	2028	150,000,000	0	0	9,423,213	140,576,787
DBSA	10.700%	12008099	2028	100,943,285	0	0	6,061,375	94,881,910
DBSA	10.672%	12008099	2028		33,812,142	0	1,815,035	31,997,107
DBSA	12.278%	12008149	2029	0	100,000,000	0	0	100,000,000
DBSA	10.131%	12008149	2029	0	100,000,000	0	0	100,000,000
DBSA	9.872%	12008149	2029	0	58,626,160	0	0	58,626,160
NEDBANK	10.64%	7831030646-0001	2021	30,401,391	0	0	9,124,089	21,277,302
NEDBANK	8.63%	7831030646-0003	2019	4,797,292	0	0	4,797,292	0
NEDBANK	9.14%	7831030646-0004	2022	63,016,130	0	0	13,720,151	49,295,979
NEDBANK	9.93%	7831030646-0010	2025	156,975,040	0	0	16,452,685	140,522,355
ABSA BANK	9.40%	38-723-1263	2020	2,371,312	0	0	1,131,621	1,239,691
ABSA BANK	9.21%	40-8130-6651	2020	4,082,523	0	0	4,082,523	0
ABSA BANK	9.15%	38-723-1262	2019	5,991,944	0	0	2,861,433	3,130,511
STANDARD BANK	9.94%	023-157-917	2019	2,447,560	0	0	2,447,560	0
STANDARD BANK	10.26%	023-157-909	2021	4,196,464	0	0	1,262,995	2,933,469
STANDARD BANK	10.08%	07-218-4426	2023	36,011,538	0	0	5,862,120	30,149,419
STANDARD BANK	10.40%	07-215-4411	2020	14,022,276	0	0	6,656,537	7,365,739
STANDARD BANK	9.36%	07-221-4600	2020	2,902,649	0	0	1,385,548	1,517,101
STANDARD BANK	9.68%	07-221-4325	2022	3,820,293	0	0	825,238	2,995,056
STANDARD BANK	10.12%	072-221-4287	2027	467,064,201	0	0	33,997,440	433,066,762
STANDARD BANK	9.63%	410-682-101	2021	5,250,000	0	0	1,567,623	3,682,377
STANDARD BANK	9.87%	410-683-566	2023	13,806,715	0	0	2,189,247	11,617,468
STANDARD BANK	9.84%	009 733 922	2024	0	6,935,000	1	0	6,935,001
<b>TOTAL ANNUITY LOANS AND OTHER</b>				<b>1,504,630,706</b>	<b>299,373,302</b>	<b>1</b>	<b>173,300,310</b>	<b>1,630,703,699</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>1,504,630,706</b>	<b>299,373,302</b>	<b>1</b>	<b>173,300,310</b>	<b>1,630,703,699</b>



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**APPENDIX B1**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)**

DESCRIPTION	2018/2019										
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	ADJUSTED BUDGET	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	ADJUSTMENTS (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
	1	2	3	4	5	6	7	8	9	10	11
<b>REVENUE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>	<b>(363,769,683)</b>	<b>(32,110,206)</b>	<b>(376,503,215)</b>	<b>0</b>	<b>0</b>	<b>(376,503,215)</b>	<b>(380,986,945)</b>	<b>0</b>	<b>(4,483,730)</b>	<b>101.2%</b>	<b>104.7%</b>
Executive and Council	(22,553,316)	(9,688,337)	(12,864,979)	0	0	(12,864,979)	(16,382,083)	0	(3,517,104)	127.3%	72.6%
Finance and Administration	(341,216,367)	(22,421,869)	(363,638,236)	0	0	(363,638,236)	(364,604,862)	0	(966,626)	100.3%	106.9%
<b>COMMUNITY AND PUBLIC SAFETY</b>	<b>(140,549,931)</b>	<b>(15,054,717)</b>	<b>(155,604,648)</b>	<b>0</b>	<b>0</b>	<b>(155,604,648)</b>	<b>(68,572,646)</b>	<b>0</b>	<b>87,032,002</b>	<b>44.1%</b>	<b>48.8%</b>
Community and Social Services	(3,526,838)	(132,524)	(3,659,362)	0	0	(3,659,362)	(4,313,735)	0	(654,373)	117.9%	122.3%
Sport and Recreation	(3,848,328)	(442,275)	(4,290,603)	0	0	(4,290,603)	(3,202,244)	0	1,088,359	74.6%	83.2%
Public Safety	(1,744,565)	202,179	(1,542,386)	0	0	(1,542,386)	(1,569,286)	0	(26,900)	101.7%	90.0%
Housing	(131,430,200)	(14,682,097)	(146,112,297)	0	0	(146,112,297)	(59,487,381)	0	86,624,916	40.7%	45.3%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>	<b>(126,814,361)</b>	<b>(41,288,057)</b>	<b>(168,102,418)</b>	<b>0</b>	<b>0</b>	<b>(168,102,418)</b>	<b>(145,095,883)</b>	<b>0</b>	<b>23,006,535</b>	<b>86.3%</b>	<b>114.4%</b>
Planning and Development	(318,611)	(4,240,606)	(4,559,217)	0	0	(4,559,217)	(4,555,084)	0	4,133	99.9%	1429.7%
Road Transport	(126,495,750)	(37,047,451)	(163,543,201)	0	0	(163,543,201)	(140,540,799)	0	23,002,402	85.9%	111.1%
<b>TRADING SERVICES</b>	<b>(1,760,098,841)</b>	<b>95,325,932</b>	<b>(1,664,772,909)</b>	<b>0</b>	<b>0</b>	<b>(1,664,772,909)</b>	<b>(1,632,581,039)</b>	<b>0</b>	<b>32,191,870</b>	<b>98.1%</b>	<b>92.8%</b>
Energy Sources	(1,169,895,986)	48,528,810	(1,121,367,176)	0	0	(1,121,367,176)	(1,103,935,072)	0	17,432,104	98.4%	94.4%
Water Management	(269,476,940)	22,709,317	(246,767,623)	0	0	(246,767,623)	(233,263,331)	0	13,504,292	94.5%	86.6%
Waste Water Management	(166,421,533)	18,077,490	(148,344,043)	0	0	(148,344,043)	(148,867,038)	0	(522,995)	100.4%	89.5%
Waste Management	(154,304,382)	6,010,315	(148,294,067)	0	0	(148,294,067)	(146,515,599)	0	1,778,468	98.8%	95.0%
<b>TOTAL REVENUE - STANDARD</b>	<b>(2,391,232,816)</b>	<b>6,872,952</b>	<b>(2,364,983,190)</b>		<b>0</b>	<b>(2,364,983,190)</b>	<b>(2,227,236,514)</b>	<b>0</b>	<b>137,746,676</b>	<b>94.2%</b>	<b>93.1%</b>
<b>EXPENDITURE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>	<b>351,512,235</b>	<b>(7,449,110)</b>	<b>344,063,125</b>	<b>0</b>	<b>0</b>	<b>344,063,125</b>	<b>336,900,220</b>	<b>0</b>	<b>7,162,905</b>	<b>97.9%</b>	<b>95.8%</b>
Executive and Council	111,504,804	(35,216,183)	76,288,621	0	0	76,288,621	74,596,074	0	1,692,547	97.8%	66.9%
Finance and Administration	236,767,897	27,480,792	264,248,689	0	0	264,248,689	259,026,644	0	5,222,045	98.0%	109.4%
Internal Audit	3,239,534	286,281	3,525,815	0	0	3,525,815	3,277,503	0	248,312	93.0%	101.2%
<b>COMMUNITY AND PUBLIC SAFETY</b>	<b>365,610,242</b>	<b>(35,448,142)</b>	<b>330,162,100</b>	<b>0</b>	<b>0</b>	<b>330,162,100</b>	<b>279,766,346</b>	<b>0</b>	<b>50,395,754</b>	<b>84.7%</b>	<b>76.5%</b>
Community and Social Services	43,736,395	(6,835,194)	36,901,201	0	0	36,901,201	36,746,061	0	155,140	99.6%	84.0%
Sport and Recreation	94,401,115	7,876,541	102,277,656	0	0	102,277,656	95,795,283	0	6,482,373	93.7%	101.5%
Public Safety	42,062,871	(1,557,706)	40,505,165	0	0	40,505,165	40,505,165	0	0	100.0%	96.3%
Housing	185,409,861	(34,931,783)	150,478,078	0	0	150,478,078	106,719,838	0	43,758,240	70.9%	57.6%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>	<b>281,168,089</b>	<b>35,115,623</b>	<b>316,283,712</b>	<b>0</b>	<b>0</b>	<b>316,283,712</b>	<b>302,265,904</b>	<b>0</b>	<b>14,017,808</b>	<b>95.6%</b>	<b>107.5%</b>
Planning and Development	29,922,485	22,744,332	52,666,817	0	0	52,666,817	52,666,816	0	1	100.0%	176.0%
Road Transport	250,217,190	12,087,681	262,304,871	0	0	262,304,871	248,287,065	0	14,017,806	94.7%	99.2%
Environmental Protection	1,028,414	283,610	1,312,024	0	0	1,312,024	1,312,023	0	1	100.0%	127.6%
<b>TRADING SERVICES</b>	<b>1,393,375,772</b>	<b>(12,343,529)</b>	<b>1,381,032,243</b>	<b>0</b>	<b>0</b>	<b>1,381,032,243</b>	<b>1,352,097,301</b>	<b>0</b>	<b>28,934,942</b>	<b>97.9%</b>	<b>97.0%</b>
Energy Sources	942,689,401	(14,143,938)	928,545,463	0	0	928,545,463	910,226,893	0	18,318,570	98.0%	96.6%
Water Management	147,471,528	(4,846,348)	142,625,180	0	0	142,625,180	142,637,297	0	(12,117)	100.0%	96.7%
Waste Water Management	153,223,624	24,142,332	177,365,956	0	0	177,365,956	172,333,283	0	5,032,673	97.2%	112.5%
Waste Management	149,991,219	(17,495,575)	132,495,644	0	0	132,495,644	126,899,828	0	5,595,816	95.8%	84.6%
<b>TOTAL - EXPENDITURE - STANDARD</b>	<b>2,391,666,338</b>	<b>(20,125,158)</b>	<b>2,371,541,180</b>		<b>0</b>	<b>2,371,541,180</b>	<b>2,271,029,772</b>	<b>0</b>	<b>100,511,408</b>	<b>95.8%</b>	<b>95.0%</b>
<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>433,522</b>	<b>(13,252,206)</b>	<b>6,557,990</b>	<b>0</b>	<b>0</b>	<b>6,557,990</b>	<b>43,793,258</b>	<b>0</b>	<b>(37,235,268)</b>	<b>667.8%</b>	<b>10101.7%</b>

**APPENDIX B2**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)**

DESCRIPTION	2018/2019										
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	ADJUSTED BUDGET	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	ADJUSTMENTS (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
	1	2	3	4	5	6	7	8	9	10	11
<b>Revenue by Vote</b>											
Office of the City Manager	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Corporate Services	24,331,304	(9,701,944)	14,629,360	0	0	14,629,360	18,172,895	0	(3,543,535)	124.2%	74.7%
Community Services	250,225,177	42,574,933	292,800,110	0	0	292,800,110	182,811,243	0	109,988,867	62.4%	73.1%
Financial Services	310,690,093	1,030,824	311,720,917	0	0	311,720,917	325,665,796	0	(13,944,879)	104.5%	104.8%
Planning and Economic Development	5,201,585	1,572,217	6,773,802	0	0	6,773,802	8,387,180	0	(1,613,378)	123.8%	161.2%
Engineering Services	1,800,784,657	(61,725,656)	1,739,059,001	0	0	1,739,059,001	1,692,199,400	0	46,859,601	97.3%	94.0%
Department of Chief Audit Executive	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of Risk & Compliance	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of IDP & PMS	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of Communication	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Total Revenue by Vote</b>	<b>2,391,232,816</b>	<b>(26,249,626)</b>	<b>2,364,983,190</b>	<b>0</b>	<b>0</b>	<b>2,364,983,190</b>	<b>2,227,236,514</b>	<b>0</b>	<b>137,746,676</b>	<b>94.2%</b>	<b>93.1%</b>
<b>Expenditure by Vote to be appropriated</b>											
Office of the City Manager	(968,045)	421,488	(546,557)	0	0	(546,557)	(820,819)	0	274,262	150.2%	84.8%
Corporate Services	81,132,325	21,148,389	102,280,714	0	0	102,280,714	101,302,615	0	978,099	99.0%	124.9%
Community Services	525,145,104	(18,258,871)	506,886,233	0	0	506,886,233	437,877,634	0	69,008,599	86.4%	83.4%
Financial Services	59,792,275	15,166,896	74,959,171	0	0	74,959,171	62,626,066	0	12,333,105	83.5%	104.7%
Planning and Economic Development	66,156,259	(7,677,507)	58,478,752	0	0	58,478,752	55,958,777	0	2,519,975	95.7%	84.6%
Engineering Services	1,650,488,051	(29,520,650)	1,620,967,401	0	0	1,620,967,401	1,606,869,323	0	14,098,078	99.1%	97.4%
Department of Chief Audit Executive	3,239,534	286,281	3,525,815	0	0	3,525,815	3,277,503	0	248,312	93.0%	101.2%
Department of Risk & Compliance	2,694,163	(391,291)	2,302,872	0	0	2,302,872	2,266,758	0	36,114	98.4%	84.1%
Department of IDP & PMS	1,083,207	(225,437)	857,770	0	0	857,770	302,870	0	554,900	35.3%	28.0%
Department of Communication	2,903,465	(1,074,456)	1,829,009	0	0	1,829,009	1,369,046	0	459,963	74.9%	47.2%
<b>Total Expenditure by Vote</b>	<b>2,391,666,338</b>	<b>(18,720,255)</b>	<b>2,371,541,180</b>	<b>0</b>	<b>0</b>	<b>2,371,541,180</b>	<b>2,271,029,772</b>	<b>0</b>	<b>100,511,408</b>	<b>95.8%</b>	<b>95.0%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(433,522)</b>	<b>(7,529,371)</b>	<b>(6,557,990)</b>	<b>0</b>	<b>0</b>	<b>(6,557,990)</b>	<b>(43,793,258)</b>	<b>0</b>	<b>37,235,268</b>	<b>667.8%</b>	<b>10101.7%</b>



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**APPENDIX B3**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE) (APPROPRIATION STATEMENT)**

DESCRIPTION	2018/2019										
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	VIREMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	AUCTUAL OUTCOME AS % OF FINAL BUDGET	AUCTUAL OUTCOME AS % OF ORIGINAL BUDGET
	1	2	3	4	5	6	7	8	9	10	11
<b>Revenue By Source</b>											
Property rates	305,830,748	(29,848,722)	275,982,026	0	0	275,982,026	271,147,343	0	4,834,683	98.2%	88.7%
Service charges - electricity revenue	1,066,320,982	(45,897,466)	1,020,423,516	0	0	1,020,423,516	992,910,171	0	27,513,345	97.3%	93.1%
Service charges - water revenue	246,100,090	(64,514,952)	181,585,138	0	0	181,585,138	167,819,936	0	13,765,202	92.4%	68.2%
Service charges - sanitation revenue	108,044,289	(13,493,075)	94,551,214	0	0	94,551,214	95,320,698	0	(769,484)	100.8%	88.2%
Service charges - refuse revenue	111,452,497	(8,931,857)	102,520,640	0	0	102,520,640	101,138,835	0	1,381,805	98.7%	90.7%
Service charges - other	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Rental of facilities and equipment	3,726,209	111,881	3,838,090	0	0	3,838,090	9,505,279	0	(5,667,189)	247.7%	255.1%
Interest earned - external investments	22,000,000	(10,000,000)	12,000,000	0	0	12,000,000	14,223,574	0	(2,223,574)	118.5%	64.7%
Interest earned - outstanding debtors	15,977,643	(4,347,568)	11,630,075	0	0	11,630,075	10,902,171	0	727,904	93.7%	68.2%
Dividends received	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Fines	69,847,415	28,374,831	98,222,246	0	0	98,222,246	75,253,291	0	22,968,955	76.6%	107.7%
Licences and permits	4,640,127	(560,842)	4,079,285	0	0	4,079,285	3,462,960	0	616,326	84.9%	74.6%
Agency services	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Transfers recognised - operational	265,112,381	(6,276,854)	258,835,527	0	0	258,835,527	182,494,744	0	76,340,783	70.5%	68.8%
Other revenue	86,997,435	13,480,070	100,477,505	0	0	100,477,505	120,935,904	0	(20,458,399)	120.4%	139.0%
Inventory Surpluses	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Gains on disposal of PPE	250,000	39,590,653	39,840,653	0	0	39,840,653	42,515,071	0	(2,674,418)	106.7%	17006.0%
Gains from assets from non exchange transactions	0	0	0	0	0	0	1,978,672	0	(1,978,672)	0.0%	0.0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2,306,299,816</b>	<b>(102,313,901)</b>	<b>2,203,985,915</b>	<b>0</b>	<b>0</b>	<b>2,203,985,915</b>	<b>2,089,608,649</b>	<b>0</b>	<b>114,377,266</b>	<b>94.8%</b>	<b>90.6%</b>
<b>Expenditure By Type</b>											
Employee related costs	625,426,030	11,755,194	637,181,224	0	0	637,181,224	669,024,810	0	(31,843,586)	105.0%	107.0%
Councillor related costs	31,229,363	(1,081,966)	30,147,397	0	0	30,147,397	29,945,188	0	202,209	99.3%	95.9%
Debt impairment	100,409,320	29,139,343	129,548,663	0	0	129,548,663	105,608,249	0	23,940,414	81.5%	105.2%
Depreciation & asset impairment	201,673,156	18,753,287	220,426,443	0	0	220,426,443	210,624,362	0	9,802,081	95.6%	104.4%
Finance charges	144,574,379	21,685,142	166,259,521	0	0	166,259,521	158,386,286	0	7,873,235	95.3%	109.6%
Bulk purchases	712,439,900	(30,578,815)	681,861,085	0	0	681,861,085	678,014,058	0	3,847,027	99.4%	95.2%
Other materials	51,193,184	6,330,272	57,523,456	0	0	57,523,456	57,435,330	0	88,126	99.8%	112.2%
Contracted services	293,276,792	(69,931,615)	223,345,177	0	0	223,345,177	143,311,694	0	80,033,483	64.2%	48.9%
Transfers and grants	20,563,462	3,292,423	23,855,885	0	0	23,855,885	22,533,535	0	1,322,350	94.5%	109.6%
Other expenditure	208,880,752	(16,388,423)	192,492,329	0	0	192,492,329	197,690,244	0	(5,197,915)	102.7%	94.6%
Loss on disposal of PPE	2,000,000	6,900,000	8,900,000	0	0	8,900,000	10,988,574	0	(2,088,574)	123.5%	549.4%
<b>Total Expenditure</b>	<b>2,391,666,338</b>	<b>(20,125,158)</b>	<b>2,371,541,180</b>	<b>0</b>	<b>0</b>	<b>2,371,541,180</b>	<b>2,283,562,331</b>	<b>0</b>	<b>87,978,849</b>	<b>96.3%</b>	<b>95.5%</b>
<b>Surplus/(Deficit)</b>	<b>(85,366,522)</b>	<b>(82,188,743)</b>	<b>(167,555,265)</b>	<b>0</b>	<b>0</b>	<b>(167,555,265)</b>	<b>(193,953,682)</b>	<b>0</b>	<b>26,398,417</b>	<b>115.8%</b>	<b>227.2%</b>
Transfers recognised - capital	84,933,000	76,064,275	160,997,275	0	0	160,997,275	150,160,424	0	10,836,851	93.3%	176.8%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(433,522)</b>	<b>(6,124,468)</b>	<b>(6,557,990)</b>	<b>0</b>	<b>0</b>	<b>(6,557,990)</b>	<b>(43,793,258)</b>	<b>0</b>	<b>37,235,268</b>	<b>667.8%</b>	<b>10101.7%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(433,522)</b>	<b>(6,124,468)</b>	<b>(6,557,990)</b>	<b>0</b>	<b>0</b>	<b>(6,557,990)</b>	<b>(43,793,258)</b>	<b>0</b>	<b>37,235,268</b>	<b>667.8%</b>	<b>10101.7%</b>



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K.A 30 November 2019

**APPENDIX B4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	2018/2019										
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	VIREMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
	1	2	3	4	5	6	7	8	9	10	11
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure</b>											
Office of the City Manager	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Corporate Services	6,150,000	(3,149,210)	3,000,790	0	(148,334)	2,852,456	2,852,455	0	1	100.0%	46.4%
Community Services	42,223,000	32,737,163	74,960,163	0	(19,484,434)	55,475,729	45,521,223	0	9,954,506	82.1%	107.8%
Financial Services	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Planning and Economic Development	0	154,744	154,744	0	0	154,744	154,743	0	1	100.0%	0.0%
Engineering Services	197,169,556	164,562,585	361,732,141	0	(13,520,638)	348,211,503	366,975,769	(18,764,266)	(18,764,266)	105.4%	186.1%
Department of the Chief Audit Executive	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of Risk & Compliance	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of IDP & PMS	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of Communication	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Capital multi-year expenditure sub-total</b>	<b>245,542,556</b>	<b>194,305,282</b>	<b>439,847,838</b>	<b>0</b>	<b>(33,153,406)</b>	<b>406,694,432</b>	<b>415,504,191</b>	<b>(18,764,266)</b>	<b>(8,809,759)</b>	<b>102.2%</b>	<b>169.2%</b>
<b>Single-year expenditure</b>											
Office of the City Manager	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Corporate Services	6,441,789	837,684	7,279,473	0	(2,235,420)	5,044,053	5,044,043	0	10	100.0%	78.3%
Community Services	26,788,237	13,949,453	40,737,690	0	(9,674,574)	31,063,116	31,060,040	0	3,076	100.0%	115.9%
Financial Services	1,000,000	466,937	1,466,937	0	(191,619)	1,275,318	1,275,292	0	26	100.0%	127.5%
Planning and Economic Development	21,400,000	(20,577,142)	822,858	0	(47,793)	775,065	775,056	0	9	100.0%	3.6%
Engineering Services	152,867,784	(28,049,557)	124,818,227	0	(5,988,329)	118,829,898	118,790,632	0	39,266	100.0%	77.7%
Department of the Chief Audit Executive	0	59,506	59,506	0	0	59,506	59,506	0	0	100.0%	0.0%
Department of Risk & Compliance	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of IDP & PMS	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Department of Communication	0	271,021	271,021	0	(246,248)	24,773	24,773	0	0	100.0%	0.0%
<b>Capital single-year expenditure sub-total</b>	<b>208,497,810</b>	<b>(33,042,098)</b>	<b>175,455,712</b>	<b>0</b>	<b>(18,383,983)</b>	<b>157,071,729</b>	<b>157,029,340</b>	<b>0</b>	<b>42,389</b>	<b>100.0%</b>	<b>75.3%</b>
<b>Total Capital Expenditure - Vote</b>	<b>454,040,366</b>	<b>161,263,184</b>	<b>615,303,550</b>	<b>0</b>	<b>(51,537,389)</b>	<b>563,766,161</b>	<b>572,533,531</b>	<b>(8,767,370)</b>	<b>(8,767,370)</b>	<b>101.6%</b>	<b>126.1%</b>



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K.A 30 November 2019

**APPENDIX B4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>	<b>33,888,220</b>	<b>5,705,531</b>	<b>39,593,751</b>	<b>0</b>	<b>(3,183,350)</b>	<b>36,410,401</b>	<b>36,368,839</b>	<b>0</b>	<b>41,562</b>	<b>99.9%</b>	<b>107.3%</b>
Executive and Council	0	252,735	252,735	0	(36,752)	215,983	215,981	0	2	100.0%	0.0%
Finance and Administration	33,888,220	5,393,290	39,281,510	0	(3,146,598)	36,134,912	36,093,352	0	41,560	99.9%	106.5%
Internal Audit	0	59,506	59,506	0	0	59,506	59,506	0	0	100.0%	0.0%
<b>Community and public safety</b>	<b>72,826,237</b>	<b>35,550,155</b>	<b>108,376,392</b>	<b>0</b>	<b>(28,434,599)</b>	<b>79,941,793</b>	<b>69,986,471</b>	<b>0</b>	<b>9,955,322</b>	<b>87.5%</b>	<b>96.1%</b>
Community and Social Services	7,935,779	(2,798,755)	5,137,024	0	(353,267)	4,783,757	4,783,751	0	6	100.0%	60.3%
Sport and Recreation	44,500,893	(11,915,239)	32,585,654	0	(9,108,420)	23,477,234	23,477,213	0	21	100.0%	52.8%
Public Safety	3,589,565	900,669	4,490,234	0	(1,500,993)	2,989,241	2,988,448	0	793	100.0%	83.3%
Housing	16,800,000	49,363,480	66,163,480	0	(17,471,919)	48,691,561	38,737,059	0	9,954,502	79.6%	230.6%
Health	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Economic and environmental services</b>	<b>61,957,971</b>	<b>21,820,334</b>	<b>83,778,305</b>	<b>0</b>	<b>(6,094,267)</b>	<b>77,684,038</b>	<b>77,684,033</b>	<b>0</b>	<b>5</b>	<b>100.0%</b>	<b>125.4%</b>
Planning and Development	0	296,843	296,843	0	(130,995)	165,848	165,848	0	1	100.0%	0.0%
Road Transport	61,957,971	21,523,491	83,481,462	0	(5,963,272)	77,518,190	77,518,186	0	4	100.0%	125.1%
Environmental Protection	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Trading services</b>	<b>285,367,938</b>	<b>98,187,164</b>	<b>383,555,102</b>	<b>0</b>	<b>(13,825,173)</b>	<b>369,729,929</b>	<b>388,494,188</b>	<b>(18,764,268)</b>	<b>(18,764,259)</b>	<b>105.1%</b>	<b>136.1%</b>
Energy Sources	129,469,565	6,969,834	136,439,399	0	0	136,439,399	155,203,667	(18,764,268)	(18,764,268)	113.8%	119.9%
Water Management	105,282,100	71,058,037	176,340,137	0	(2,300,920)	174,039,217	174,039,211	0	6	100.0%	165.3%
Waste Water Management	47,616,273	20,072,501	67,688,774	0	(11,524,253)	56,164,521	56,164,519	0	2	100.0%	118.0%
Waste Management	3,000,000	86,792	3,086,792	0	0	3,086,792	3,086,791	0	1	100.0%	102.9%
Other	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Total Capital Expenditure - Standard</b>	<b>454,040,366</b>	<b>161,263,184</b>	<b>615,303,550</b>	<b>0</b>	<b>(51,537,389)</b>	<b>563,766,161</b>	<b>572,533,531</b>	<b>(8,767,370)</b>	<b>(8,767,370)</b>	<b>101.6%</b>	<b>126.1%</b>
<b>Funded by:</b>											
National Government	34,975,652	29,724,987	64,700,639	0	(1,499,881)	63,200,758	63,200,758	0	0	100.0%	180.7%
Provincial Government	39,531,304	53,256,672	92,787,976	0	(9,625,269)	83,162,707	73,147,691	0	10,015,016	88.0%	185.0%
District Municipality	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Other transfers and grants	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Transfers recognised - capital</b>	<b>74,506,956</b>	<b>82,981,659</b>	<b>157,488,615</b>	<b>0</b>	<b>(11,125,150)</b>	<b>146,363,465</b>	<b>136,348,449</b>	<b>0</b>	<b>10,015,016</b>	<b>93.2%</b>	<b>183.0%</b>
<b>Public contributions &amp; donations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Borrowing</b>	<b>331,834,792</b>	<b>58,837,712</b>	<b>390,672,504</b>	<b>0</b>	<b>(33,662,886)</b>	<b>357,009,618</b>	<b>357,114,628</b>	<b>0</b>	<b>(105,010)</b>	<b>100.0%</b>	<b>107.6%</b>
<b>Internally generated funds</b>	<b>47,698,618</b>	<b>19,443,813</b>	<b>67,142,431</b>	<b>0</b>	<b>(6,749,353)</b>	<b>60,393,078</b>	<b>79,070,454</b>	<b>0</b>	<b>(18,677,376)</b>	<b>130.9%</b>	<b>165.8%</b>
<b>Total Capital Funding</b>	<b>454,040,366</b>	<b>161,263,184</b>	<b>615,303,550</b>	<b>0</b>	<b>(51,537,389)</b>	<b>563,766,161</b>	<b>572,533,531</b>	<b>0</b>	<b>(8,767,370)</b>	<b>101.6%</b>	<b>126.1%</b>



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**APPENDIX B5**  
**RECONCILIATION OF BUDGETED CASH FLOW**

	2018/2019							
Description	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	7	8	9
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	1,848,280,674	(155,162,872)	1,693,117,802	1,693,117,802	1,646,999,286	(46,118,516)	97.3%	89.1%
Government - operating	265,112,381	(6,276,854)	258,835,527	258,835,527	182,494,744	(76,340,783)	70.5%	68.8%
Government - capital	84,933,000	44,357,482	129,290,482	129,290,482	150,160,424	20,869,942	116.1%	176.8%
Interest	37,611,015	(14,286,812)	23,324,203	23,324,203	23,783,447	459,244	102.0%	63.2%
Dividends	15,120	0	15,120	15,120	15,120	0	100.0%	100.0%
<b>Payments</b>								
Suppliers and employees	(1,795,834,557)	85,068,371	(1,710,766,187)	(1,710,766,187)	(1,582,601,811)	128,164,376	92.5%	88.1%
Finance charges	(144,574,379)	(21,685,142)	(166,259,521)	(166,259,521)	(158,386,286)	7,873,235	95.3%	109.6%
Transfers and Grants	(20,563,462)	(3,733,500)	(24,296,962)	(24,296,962)	(22,533,535)	1,763,427	92.7%	109.6%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>274,979,792</b>	<b>(71,719,327)</b>	<b>203,260,465</b>	<b>203,260,465</b>	<b>239,931,389</b>	<b>36,670,924</b>	<b>118.0%</b>	<b>87.3%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	250,000	(39,590,653)	39,840,653	39,840,653	33,471,669	(6,368,984)	84.0%	13388.7%
Decrease (increase) other non-current receivables	0	0	0	0	421,180	421,180	0.0%	0.0%
<b>Payments</b>								
Capital assets	(408,636,329)	145,212,026	(553,848,355)	(502,310,966)	(576,123,335)	(73,812,369)	114.7%	141.0%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(408,386,329)</b>	<b>105,621,373</b>	<b>(514,007,702)</b>	<b>(462,470,313)</b>	<b>(542,230,486)</b>	<b>(79,760,173)</b>	<b>117.2%</b>	<b>132.8%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Borrowing long term/refinancing	265,561,160	0	265,561,160	265,561,160	299,373,302	33,812,142	112.7%	112.7%
Increase / (decrease) in consumer deposits	0	0	0	0	12,182,156	12,182,156	0.0%	0.0%
Increase / (decrease) in lease liability	0	0	0	0	797,625	797,625	0.0%	0.0%
<b>Payments</b>								
Repayment of borrowing	(179,726,243)	0	(179,726,243)	(179,726,243)	(173,300,310)	6,425,933	96.4%	96.4%
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>85,834,917</b>	<b>0</b>	<b>85,834,917</b>	<b>85,834,917</b>	<b>139,052,773</b>	<b>53,217,856</b>	<b>162.0%</b>	<b>162.0%</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(47,571,620)</b>	<b>33,902,045</b>	<b>(224,912,320)</b>	<b>(173,374,931)</b>	<b>(163,246,325)</b>	<b>10,128,606</b>	<b>94%</b>	<b>343%</b>
Cash/cash equivalents at the year begin:	243,372,332	(183,990,084)	427,362,416	427,362,416	229,099,916	(198,262,500)	53.6%	94.1%
Cash/cash equivalents at the year end:	195,800,711	(6,649,384)	202,450,096	253,987,485	65,853,591	(188,133,893)	25.9%	33.6%

**APPENDIX C**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003**

DESCRIPTION	FUNDER	OPENING BALANCE 1 JULY 2018	RESTATEMENTS	RESTATE OPENING BALANCE 1 JULY 2018	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE (CAPITAL & OPERATING)					CLOSING BALANCE 30 JUNE 2019
					SEPTEMBER	DECEMBER	MARCH	JUNE	TOTAL	SEPTEMBER	DECEMBER	MARCH	JUNE	TOTAL	
		R		R	R	R	R	R	R	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT (UNCONDITIONAL GRANT)</b>															
G/F : EQUITABLE SHARE	National Government	1	(1)	0	(57,299,000)	(45,839,000)	(34,380,000)	0	(137,518,000)	39,358,717	48,449,380	49,709,902	1	137,518,000	0
		<b>1</b>	<b>(1)</b>	<b>0</b>	<b>(57,299,000)</b>	<b>(45,839,000)</b>	<b>(34,380,000)</b>	<b>0</b>	<b>(137,518,000)</b>	<b>39,358,717</b>	<b>48,449,380</b>	<b>49,709,902</b>	<b>1</b>	<b>137,518,000</b>	<b>0</b>
<b>NATIONAL GOVERNMENT (CONDITIONAL GRANT)</b>															
G/F : MUNICIPAL INFRASTRUCTURE PROJECTS	National Government	1	(1)	0	(6,750,000)	(12,310,000)	(15,424,000)	0	(34,484,000)	0	6,127,609	11,196,597	17,159,794	34,484,000	0
G/F : BUDGET REFORM PROGRAMME NATIONAL TREASURY	National Government	(7)	7	0	(1,550,000)	0	0	0	(1,550,000)	204,152	672,137	41,983	631,728	1,550,000	0
G/F : EPWP TOEKENING VIR INFRASTRUKPROJEKT CWL	National Government	0	0	0	(1,110,000)	(1,994,000)	(1,329,000)	0	(4,433,000)	0	4,433,000	0	0	4,433,000	0
G/F : ELEKT MASTERPLAN (ROLL OVER)	National Government	(155)	155	(0)	0	0	0	0	0	0	0	0	0	0	(0)
G/F : ELECTRIFICATION FUNDING (INEP)	National Government	(4)	4	0	(3,738,000)	(2,000,000)	0	0	(5,738,000)	0	0	0	5,738,000	5,738,000	(0)
G/F : ELECTRIFICATION FUNDING (INEP ROLL OVER)	National Government	0	(0)	0	0	0	0	0	0	0	0	0	0	0	0
G/F : DROUGHT RELIEF	National Government	(10,643,587)	0	(10,643,587)	0	0	0	0	0	2,864,491	2,002,467	5,776,627	10,643,585	0	(3)
G/F : RURAL DEVELOPMENT (SARON ROADS)	National Government	0	0	0	0	0	(2,121,578)	(7,946,365)	(10,067,943)	0	0	0	9,428,619	9,428,619	(639,324)
		<b>(10,643,752)</b>	<b>165</b>	<b>(10,643,587)</b>	<b>(13,148,000)</b>	<b>(16,304,000)</b>	<b>(18,874,578)</b>	<b>(7,946,365)</b>	<b>(56,272,943)</b>	<b>204,152</b>	<b>9,664,237</b>	<b>17,674,047</b>	<b>38,734,767</b>	<b>66,277,203</b>	<b>(639,327)</b>
<b>PROVINCIAL GOVERNMENT (CONDITIONAL GRANT)</b>															
G/F : CARTERVILLE HOUSING PROJECT	Provincial Government	(956,503)	0	(956,503)	0	0	0	0	0	0	0	0	0	0	(956,503)
G/F : 1068 HUSE WD SKENKING	Provincial Government	(604,713)	0	(604,713)	0	0	0	0	0	0	0	0	263,014	263,014	(341,699)
G/F : DROMMEDARIS ST EHP	Provincial Government	0	0	0	(556,420)	0	(368,715)	0	(925,135)	3,060,060	1,969,174	(901,979)	(3,934,535)	192,720	(732,415)
G/F : P59 FAIRYLANDS INCOME	Provincial Government	(7,956,417)	0	(7,956,417)	0	(114,000)	0	0	(114,000)	0	0	0	578,379	578,379	(7,492,039)
G/F : CHICAGO	Provincial Government	(8,500)	0	(8,500)	0	0	0	0	0	0	0	0	0	0	(8,500)
G/F : NEW SIZAYAMA	Provincial Government	0	0	0	0	(1,698,175)	0	0	(1,698,175)	0	0	0	781,337	781,337	(916,838)
G/F : ERF 2220 (NOODKAMP)	Provincial Government	(802,653)	0	(802,653)	0	0	0	0	0	0	0	0	0	0	(802,653)
G/F : GOUDA	Provincial Government	(762,363)	0	(762,363)	0	0	0	0	0	0	0	0	57,689	57,689	(704,674)
G/F : DALIOSAPHAT TRANSFERS	Provincial Government	(453,180)	0	(453,180)	0	0	0	0	0	0	0	0	0	0	(453,180)
G/F : KINGSTON / LANTANA	Provincial Government	0	0	0	0	0	0	(1,545,838)	(1,545,838)	0	0	0	1,545,838	1,545,838	(0)
G/F : SIYASHALA	Provincial Government	0	0	0	0	0	0	(27,794)	(27,794)	0	0	0	0	0	0
G/F : KINGSTON TOWN TRANSFERS	Provincial Government	0	0	0	0	0	0	(24,000)	(24,000)	0	0	0	0	0	(24,000)
G/F : PAARL EAST HOUSING PROJECT	Provincial Government	(85,078)	0	(85,078)	(1,752,948)	0	0	140,064	(1,612,884)	0	0	0	1,376,991	1,376,991	(320,971)
G/F : DROMMEDARIS ST EHP	Provincial Government	0	0	0	(140,064)	0	0	0	(140,064)	0	0	0	0	0	(140,064)
G/F : HOUSING SCHEME 49	Provincial Government	(130,183)	0	(130,183)	0	0	0	(1,132,404)	(1,132,404)	0	0	0	0	0	(1,262,587)
G/F : AMSTELHOF PROJECT 35	Provincial Government	(10,348)	0	(10,348)	0	0	0	0	0	0	0	0	0	0	(10,348)
G/F : CHESTER WILLIAMS & PAARL LOVERS LANE	Provincial Government	(383,312)	0	(383,312)	0	0	0	0	0	0	0	0	0	0	(383,312)
G/F : LG GRADUATE INTERNSHIP	Provincial Government	(60,000)	0	(60,000)	0	0	0	0	0	0	0	0	60,000	60,000	0
G/F : NCEDOLWETHU/CHRIS HANI	Provincial Government	(2,000)	0	(2,000)	0	0	0	0	0	0	0	0	0	0	(2,000)
G/F : HUMAN SETTLEMENTS	Provincial Government	0	0	0	0	0	0	(672,000)	(672,000)	0	0	0	0	0	(672,000)
G/F : DALIOSAPHAT (PHASE 1-3)	Provincial Government	(90,000)	0	(90,000)	0	0	0	0	0	0	0	0	0	0	(90,000)
G/F : VLAKKELAND BASIC SERVICES (IN-KIND)	Provincial Government	0	0	0	0	0	0	(23,793,656)	(23,793,656)	0	0	0	23,793,656	23,793,656	0
G/F : VLAKKELAND	Provincial Government	(10,572,400)	5,986,706	(4,585,694)	0	0	0	(10,000,000)	(10,000,000)	8,295,478	1,124,587	5,165,629	14,585,694	0	0
G/F : VLAKKELAND	Provincial Government	0	0	0	0	(17,325,000)	0	0	(17,325,000)	0	0	0	9,925,806	9,925,806	(7,399,194)
G/F : TITLE DEEDS	Provincial Government	0	0	0	0	0	(2,784,000)	0	(2,784,000)	0	0	0	0	0	(2,784,000)
G/F : LIBRARY SERVICES CONDITIONAL GRANT	Provincial Government	(57,295)	0	(57,295)	(10,578,666)	0	(11,157,334)	0	(21,736,000)	7,135,322	4,897,252	0	9,670,836	21,703,410	(89,885)
G/F : COMMUNITY DEVELOPMENT SUPPORT GRANT	Provincial Government	(516,212)	0	(516,212)	0	0	0	0	0	0	0	0	0	0	(516,212)
G/F : OTHER UNSPECIFIED	Provincial Government	(13)	13	0	0	0	0	0	0	0	0	0	0	0	0
G/F : OTHER UNSPECIFIED	Provincial Government	(8)	8	0	0	0	0	0	0	0	0	0	0	0	0
G/F : MAINTENANCE AND CONSTRUCTION OF TRANSPORT INFRASTRUCTURE	Provincial Government	200	(200)	(0)	0	0	(38,000,000)	(618,862)	(38,618,862)	24,908,496	8,134,782	5,575,584	38,618,861	0	(0)
G/F : DEVELOPMENT OF SPORT AND RECREATION FACILITIES	Provincial Government	0	0	0	0	0	0	(228,098)	(228,098)	0	140,000	0	21,000	161,000	(67,098)
G/F : SPORTFONDS	Provincial Government	(4,919)	4,919	0	0	0	0	0	0	0	0	0	0	0	0
G/F : FMG WESTERN CAPE	Provincial Government	(60,000)	0	(60,000)	0	0	0	0	0	0	0	0	0	0	(60,000)
G/F : MANDELA ROUTE	Provincial Government	(15,000)	0	(15,000)	0	0	0	0	0	0	0	0	0	0	(15,000)
G/F : MUNICIPAL DISASTER GRANT	Provincial Government	(21,615,960)	0	(21,615,960)	0	0	0	0	0	11,368,930	2,957,755	7,289,275	21,615,960	0	(0)
G/F : FINANCIAL MANAGEMENT SUPPORT	Provincial Government	0	0	0	0	0	(255,000)	0	(255,000)	0	0	0	255,000	0	0
G/F : FINANCIAL MANAGEMENT CAPACITY BUILDING	Provincial Government	0	0	0	0	(360,000)	0	0	(360,000)	0	12,000	227,195	239,195	0	(120,805)
G/F : LG GRADUATE INTERNSHIP	Provincial Government	0	0	0	0	0	(72,000)	(66,000)	(138,000)	0	0	98,431	98,431	0	(39,569)
G/F : FIRE SERVICES CAPACITY BUILDING	Provincial Government	0	0	0	0	(1,483,000)	0	0	(1,483,000)	0	0	1,483,000	1,483,000	0	(0)
G/F : CAPACITY BUILDING	Provincial Government	(179,751)	0	(179,751)	0	0	0	0	0	0	0	0	0	0	(179,751)
		<b>(45,326,607)</b>	<b>5,991,445</b>	<b>(39,335,162)</b>	<b>(13,028,098)</b>	<b>(20,980,175)</b>	<b>(52,637,049)</b>	<b>(37,968,588)</b>	<b>(124,613,909)</b>	<b>10,195,382</b>	<b>51,579,331</b>	<b>11,327,145</b>	<b>54,308,318</b>	<b>137,363,775</b>	<b>(26,585,296)</b>
<b>OTHER GRANTS : (UNCONDITIONAL)</b>															
G/F : TRAINING LEVY	Other	(730,908)	0	(730,908)	(66,000)	(530,257)	(165,564)	(327,349)	(1,089,170)	0	0	1,692,381	1,692,381	0	(127,697)
G/F : EMERGENCY KITS.O R THAMBOINF SETTLE	Other	(1,191,615)	0	(1,191,615)	0	0	0	0	0	0	0	0	0	0	(1,191,615)
G/F : DE KRAAL	Other	0	0	0	0	0	(964,748)	0	(964,748)	0	0	0	0	0	(964,748)
G/F : NUMARKT	Other	(561,041)	0	(561,041)	(66,314)	0	(89,190)	0	(155,505)	0	75,829	82,373	158,202	0	(558,344)
G/F : CAPE WINELANDS	Other	(300,000)	0	(300,000)	0	0	0	0	0	0	0	0	0	0	(300,000)
		<b>(2,783,564)</b>	<b>0</b>	<b>(2,783,564)</b>	<b>(132,314)</b>	<b>(530,257)</b>	<b>(1,219,502)</b>	<b>(327,349)</b>	<b>(2,209,423)</b>	<b>0</b>	<b>0</b>	<b>75,829</b>	<b>1,774,754</b>	<b>1,850,583</b>	<b>(3,142,404)</b>
<b>GUARANTEES AND DONATIONS</b>															
G/F : COLIN D BROWN GUARANTEE PIPELINE BUILD	Other	(1,300,000)	1,300,000	(0)	0	0	0	0	0	0	0	0	0	0	(0)
G/F : BO-LANG STREET	Other	0	0	0	0	0	0	(3,108,919)	(3,108,919)	0	0	0	3,108,919	3,108,919	0
G/F : UNSPENT MONEY PROJECT 59 (GUARANTEE)	Other	(623,636)	0	(623,636)	0	0	0	0	0	0	0	0	0	0	(623,636)
G/F : TRUST FUND : MUN WEDUWEE & WESE PENSOEN	Other	(363,572)	0	(363,572)	0	0	0	0	0	0	0	0	0	0	(363,572)
G/F : GUARANTEE : D V RENSBURG (BURGERS DR)	Other	(38,488)	38,488	0	0	0	0	0	0	0	0	0	0	0	0
		<b>(2,325,696)</b>	<b>1,338,488</b>	<b>(987,208)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,108,919)</b>	<b>(3,108,919)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,108,919</b>	<b>3,108,919</b>	<b>(987,208)</b>
		<b>(61,079,620)</b>	<b>7,330,098</b>	<b>(53,749,522)</b>	<b>(83,607,412)</b>	<b>(83,653,432)</b>	<b>(107,111,130)</b>	<b>(49,351,220)</b>	<b>(323,723,194)</b>	<b>49,758,251</b>	<b>109,692,947</b>	<b>78,786,923</b>	<b>97,926,758</b>	<b>346,118,480</b>	<b>(31,354,236)</b>

